My Documented Trading ideas

A guide to trading the financial market

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This book has been published without professional editing. While every effort has been made to ensure clarity and accuracy, some grammatical or typographical errors may remain.

About the author: *Tiisetso Maebela, I don't hold any formal financial education. I'm studying the financial market all on my own. I started studying the financial market in 2021, this was my first year at tertiary school.*

The Story of My Book

Why I Decided to Write a Book

When I first started writing, my intention was not to write a book at all, but rather to conduct a research on whether it was possible to make money or a living from trading–in simple terms, making money on the internet. The idea of making money online sounded too good to be true, and I thought it was just a scam.

My research Expanded from a two-page document to a 17-page notebook, where I wrote, copied, and pasted the most useful information from countless sources that I eventually lost track of. Now, that research or notebook has grown into a 107-pages book.

To all my fellow beginner traders/ independent financial analyst. Don't take this career as your solo option, because if you do you may not succeed in this industry you will therefore pay dearly for your choice. I'm giving you 5 years of my life's hard work and hope you will find it useful and find the missing piece that I couldn't.

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Discipline!!

This book is for advanced traders, but if you are a beginner in this industry trying to earn "millions overnight" because that's how the financial market is often advertised, here's something very disappointing.

If someone tells you they made 10,000 ZAR in 10 minutes, ask them the following two questions: How much did you risk, and was that 10,000 ZAR profit from a single trade?

For a trader to make 10,000 ZAR, there must be a certain amount of money put at risk. Some will say, "I made 10,000 ZAR in 10 minutes," only to find out that the trader risked 5,000 ZAR, which means the market moved just a few percentage points, not even close to 1%. This is all thanks to high leverage.

It is impossible to use 100 ZAR to make 10,000 ZAR in ten minutes because, for you to make that 10,000 ZAR, the market would have to move up by 100 times your initial deposit. Such a movement is so rare that it has probably only happened three times in the entire history of financial markets.

Another disappointment is that it is impossible to make 10,000 ZAR from 100 ZAR on a single trade in the financial market. now I'm not talking about investing 100 ZAR to make 10,000 ZAR over three years; I'm saying it's never possible in a single trade. Financial market instruments typically move up or down by 30%, and anything above that is extremely rare. There are probably only 20 financial instruments recorded in history that have moved by more than 30% in the past 50 years.

Whatever amount you are willing to risk, expect to make twice that in hours, five times that in days, and seven times that in months.

To explain it practically, you could make 200 ZAR in one hour with an investment of 100 ZAR. In a week, 500 ZAR. In a few months, 700 ZAR. You could use less than 100 ZAR to make similar returns, but the issue is that the market moves up and

down before you can profit. When that happens, you could lose your money before making a profit. That's why you have to invest more, so that when the market fluctuates, you don't lose your entire deposit before you can make a profit

The number one thing that every beginner trader must take note of is that in the financial market, traders make money by betting on the direction in which the market, trading instruments, or asset prices will move.

This brings us to the question of whether trading is gambling or not. Both "yes" and "no" can be correct because the answer depends on your perspective. If you asked me the question, I would say "no" because, in a debate, I would have more reasons to argue that trading is not gambling.

How long does it take to make a living from trading in the financial market? There are people out there with master's degrees in finance or economics, but they are still looking for jobs. Since they understand finance or economics better, why don't they trade the financial market?

To perform a medical surgery takes about an hour. So, if you met a doctor who told you, "I went to school for seven years, did my internship for two years, and have five years of experience, but I can teach you how to operate on someone in six months since it only takes about an hour to perform the operation," would you believe that? Obviously not.

If someone wealthy were to tell you, "I can teach you how to trade the financial market in six months because it only takes me 30 minutes to analyse the market," you might be more likely to believe them. This is because many of us enter the financial market out of desperation for quick money, not out of a genuine love for finance or economics.

No one can tell you how long it will take to understand the financial market because it depends on how quickly you learn.

The question you should ask isn't how long it will take to master the financial market; rather, it should be: If you were a lecturer or someone who establish new university courses, how long should a master's degree in trading the financial market take?

In information technology jargon, there is a term called "script kiddies." The name may sound silly—trust me, I don't like it either, and I think they should have come up with something more formal, like "script dependent" or "script reliant." But anyway, script kiddies are people who use someone else's strategy, program, or application to hack into a system without fully understanding how that application works.

In the financial market, we have people who are personally or individually taught by someone who is already successful in trading. These people are handed trading strategies or robots to trade the financial market. However, they don't fully understand how the strategy, or the robot works, and they are not capable of formulating their own trading strategies or programming their own trading robots.

Can script kiddies call themselves hackers? The answer to that depends on perspective or who you ask. Can robot or strategy dependents be considered professional traders? If you asked me, I would say yes, because in a debate, I would have more reasons to argue that a robot-dependent is a professional trader.

The question of how long it takes to become a trader also depends on what kind of a trader you want to be. If you want to be a strategy-dependent trader, it could take you three months or less. However, finding a legitimate mentor who can provide the right information isn't as easy as searching online—there are plenty of scammers out there. If you want to become a professional trader who can formulate your own strategies, it's going to take more time.

There’s a difference between trading experience and simply studying the financial market for a period of time. Most people, if not all, tend to combine the years they’ve spent studying the market with the years they’ve been making enough money to live off trading.

If you studied information technology for four years and interned for two years, you wouldn’t say you have six years of experience in the IT industry. In fact, internships are not considered work experience; they are learning programs, so you would have zero working experience. Similarly, trading experience in the financial market begins when you start making a living solely from trading.

A get-rich-quick scheme is a way to get rich with little effort but big returns. Is trading a get-rich-quick scheme? Again, the answer depends on your perspective. If you think in terms of having a mentor who hands you trading strategies, you might consider trading a get-rich-quick scheme. But if you think in terms of studying the financial market on your own or at a college, you wouldn’t.

The reason you need to fully understand the financial market is so that you know what it’s really about and what you’re up against. If you have money to pay for a trading course, you might as well invest in formal financial education, like a Bachelor of Commerce in Investment Management.

Teaching yourself to trade is all about curiosity. You have a question; you do your research. If you watch a video on YouTube that explains the financial market and don’t understand some of the points mentioned, don’t worry—one day you will. As long as your question has been answered, move on to the next one.

There are lots of trading books out there that are full of useless information; the authors often don't get straight to the point. You might read ten books and only learn four things from them. This could be because the books truly contain useless information, or because you don't understand how that information relates to the financial market. Or, maybe you're simply more interested in those four things, so anything unrelated feels irrelevant to you.

If you lose your curiosity or get tired of studying the financial market, it means trading is not for you. If you think you can start making money from trading within one year, just quit now—there's a reason people go to school for five years to become economists and analysts.

Let me tell you a little story about myself. When I was new to trading, I used to place trades based on guesses and what the indicators suggested. My trades weren't backed by any facts, and this is what separated me, as an amateur, from the real professionals.

When I first started studying the financial market, I used to read free eBooks written by authors I'd never heard of. Now, as an advanced trader, I only read academic books written by multiple authors with experience in both the working world and higher education lecturing. But I have to give credit to those free eBooks written by unknown authors—they did provide some value.

If you are a beginner in the financial market, you should focus on one branch of the market, whether it's currency pairs, commodities, stocks, or cryptocurrencies. However, as you advance, you shouldn't limit yourself to just one financial instrument. If you do, you might end up placing trades even when your identified opportunity doesn't meet all your requirements or criteria.

I recommend that all beginners use multiple indicators. As they advance, they will learn a crucial lesson: the market goes wherever it wants, regardless of what any indicator suggests. Not only will they learn this important lesson, but they will also start to figure out something that many of us might be missing.

Most traders lose money because they are either greedy or inexperienced, and they trade even when there is no real opportunity. As a trader, you must understand that the financial market isn't always full of opportunities, and it's common to miss some of them. A professional trader must wait for the right opportunity.

Overtrading is one of the main reasons I used to lose money. Overtrading leads to unnecessary stress due to excessive trades.

Why is it that when you're in profit, you fear the market might reverse and take away your gains, but when you're in a loss, you blindly believe in your analysis, hoping the market will eventually change direction and favour you?

I often make the mistake of holding on to losses for too long, hoping they won't get worse. I also tend to take profits too early because I fear the gains will shrink. However, I know that traders should fear larger losses and hope for bigger profits—but without being too greedy. As a professional trader, you have to take your losses and profits at predetermined levels in all trades.

To be greedy means you need the money quickly to pay off your bills. The reason you might hold on to your losses for too long is that you are fully convinced your analysis was correct, so you see no reason why you could be wrong.

When trading, be familiar with everything, such as the longest candlestick that frequently appears. This will help you place stop losses and take profits in the right zones. When you place a

trade, consider how the price might fall or rise. Don't just place a trade because you believe the price will move in a certain direction; also consider potential sideways movements. As a trader, you should be self-aware that prices fluctuate like waves.

When waiting to take your profits, pay attention to wick formation. Check if the candlestick is mature enough to start forming a wick. The chart pattern will also give you an idea if it is time for wick formation. Always let profits run and cut losses short. If your position does not meet the criteria you've set, please do not place a trade.

Your position (buy or sell) must be supported by both technical and fundamental analysis. The best trades are those where you have all three elements in your favour: fundamentals, technicals, and market tone. First, the fundamentals should suggest an imbalance of supply and demand that could lead to a major move. Second, the chart must show that the market is moving in the direction suggested by the fundamentals. Third, when news is released, the market should act in a way that reflects the correct psychological tone.

Fear is often a symptom of a lack of knowledge about what's happening. Stay informed about the asset you are trading as well as the industry and the general economy. If you see your trade falling and you don't understand why, fear will take over, and you may act irrationally.

If you prefer swing trading, meaning placing trades that last from Monday to Friday, aim to place one trade a week. If you're unsure about your trade, it's better to leave the market. The benefit of swing trading is that you can invest in something you believe in wholeheartedly and spend hours, if not days, analysing the market across stocks, crypto, commodities, currencies, and indices, ultimately picking the one you are most confident in. If

you prefer scalping, you'll need to place multiple trades in a day since scalping is about having many small wins over losses.

Avoid falling into trading traps (e.g., bull traps and selloff traps). Whenever I open the terminal, I often make the mistake of analysing the chart in just three minutes. This excitement over numerous opportunities (traps) leads to hasty decisions. Remember, many of the opportunities you see on the chart may actually be traps. You cannot analyse a chart in three minutes and come to a well-founded conclusion—this approach is amateurish.

Some people spend more time analysing a restaurant menu to choose a $20 entrée than analysing where to place their next $5,000.

When practicing your trading skills on a demo account, make sure the amount is $10, as most of us are likely to start a real account with around $10. A $100,000 demo account can lead to the development of bad trading habits, such as overtrading.

You need to learn how to grow a $10 demo account. One reason many people blow their first real account is that they've developed bad trading habits from managing a large demo account and then struggle to manage a smaller real account. Losing $5 on a $100,000 demo account is not the same as losing $5 on a $10 demo account. Losing $5 on a $100,000 demo account doesn't trigger the emotional response needed to manage a $10 real account effectively.

Never open a real trading account if you have not made money on a demo account. I used to think that opening a real account would lead to making money because I would start paying more attention to my trades due to trading real assets. However, I was still losing money a few months later.

Trading the financial market is all about making your best judgment. Aim to have more profitable trades than unprofitable ones, or a higher win rate than loss rate. Making money from trading the financial market is similar to the charts themselves; it is a wave—today you make money, tomorrow you might lose it. Just ensure you have a higher win rate percentage.

One of the main lessons I learned about the psychology of trading is overconfidence. It only takes three winning trades for traders to feel confident that they are now rich and have mastered trading the financial market. Remember that the market can turn against you at any time. When analysing the market, you are essentially convincing yourself about the next move. Be sure not to place too much faith in your analysis.

The question of whether the market is always right depends on who you ask. Those who focus too much on fundamental analysis might say no, as there are many assets that are significantly overvalued or undervalued. Therefore, the market cannot always be right. For example, if a listed asset is trading at $129.46 today, $309.75 tomorrow, and $300.99 the following day without any major news event, what has really changed? Has there been a significant change, or is it just the same asset with a different price tag?

Others argue that the market is always right because it is driven by supply and demand, not major news events. Major news events guide speculation on supply and demand; they don't move the market directly. It is the market participants who drive the market. Furthermore, the market does not move on its own; it is influenced by market participants.

The recommendations you get from reading an article should not be used as the sole basis for buying or selling a stock. Instead,

use them to confirm your own research. Only make an investment when there is a very low risk of loss and a very high probability of gain
Risk Management: The reason I always take profits early is because I'm aware that the market can change direction at any time, and I'm usually satisfied with small profits rather than risking it all for a larger profit that I might not even achieve.

The reason I hold onto losses too long is that I've analysed the market and am fully convinced that it will turn in my favour, especially because I've seen it happen before. I tend to hope that the market will change direction.

The solution to this problem is risk management. Establish a fixed stop-loss target and a fixed take-profit target.

For example, if you have a 300 ZAR trading account and your stop-loss target is 100 ZAR per trade, this means you can place 3 trades. Your take-profit target should be at least 2 to 3 times higher than what you are prepared to lose on that trade.

If you are in profit of about 136,04 ZAR, think of this in terms of having "bought" one additional trade since you are risking 100 ZAR per trade. If you place a trade and make a profit of 307,52 ZAR, this means you've effectively "bought" yourself 3 trades, given that you are risking 100 ZAR per trade.

Consider it this way: you are selling perishable vegetables like tomatoes. You have 300 ZAR, but you can only buy 100 ZAR worth of tomatoes each week to sell at your shop. If the business does poorly this week due to bad weather, and you can't sell the tomatoes, you'll be down 100 ZAR because the tomatoes bought last week will rot.

In the following week, you have 200 ZAR left. You use 100 ZAR to buy more stock. Even if you make a profit of 89,11 ZAR, you can't stop selling. You need to sell all your tomatoes to avoid further losses and ensure you make enough to buy stock for the next 3 weeks, as you use 100 ZAR per week for your stock.

Another example: you have 300 ZAR to gamble with. Each bet costs 100 ZAR, so your 300 ZAR allows you to place 3 bets. If you place 1 bet this week and make a profit of 301,67 ZAR, that profit should be considered as funding for 3 more bets for the next 3 weeks. If you take your profits early, let's say you take a profit of 94,18 ZAR, you are effectively at a loss because 94.18 ZAR cannot buy you a single bet. Therefore, you should aim for a profit of 378,06 ZAR to fund more bets.

Risk management is crucial when trading the financial market. If you are still trying to win the market by getting all your trades right, it means you have not accepted the randomness and unpredictability of the market. The only way I know to succeed in the market is through effective risk management.

To clarify the gambling example I used above: some might be against it, as financial institutions and individuals often work hard to distance trading from gambling. I'm using this scenario as an example, not to suggest that trading is the same as gambling.

Trading System/Plan

What do you do when your trading account balance is low, and you are obliged to increase your leverage because you can't place a trade due to insufficient margin? Do you deposit more money or increase your leverage? Either option could work; I'm more likely to increase leverage.

The big question: If you place trades weekly, what should you do if, on Monday, you still have some open trades from the previous week? If this happens, it means your initial analysis might have been incorrect. At this stage, your perspective on the trade might have changed. If your perspective has changed, then close your trades. However, if you still have a positive outlook on the trade, you can choose to keep it open.

This brings us to the question: What is the difference between closing your trades early and closing them at the due date? Essentially, there is no significant difference

Arbitrage is trading that exploits the tiny differences in price between identical assets in two or more markets. Price latency, connectivity delays, and price feed errors sometimes create a situation where the prices displayed do not accurately reflect market rates. not all brokers allow taking advantage of these Internet delays, any transactions that rely on price latency or price feed errors may be subject to intervention which includes the right to void any transactions which the broker has determined to be a result of any of these practices, revocation of profits, widening of spreads, block of trading and any other necessary corrections or adjustments on the account without prior notice.

OTC account or OTC trading. Over the counter (OTC) securities are traded directly between counterparties without being listed on an exchange. Securities that are traded over the counter may be facilitated by a dealer or broker specializing in OTC markets. this Basically means buying vegies from someone on the street without the hustle of taking a long trip to a retail shop where all goods are sold.

OTC account are offered by a market maker they buy and sell large amounts of a particular asset in order to facilitate liquidity and ensure the smooth running of financial markets. An individual can be a market maker, but due to the quantity of each asset needed to enable the required volume of trading, a market maker is more commonly a large institution.

contract for difference (CFD) trading, CFDs trade over the-counter through a network of brokers that organise the market demand and supply for CFDs and make prices accordingly. In other words, CFDs are not traded on major exchanges of such as the New York stock Exchange. The CFD is a tradable contract

between a client and the broker, who are exchanging the difference in the initial price of the trade and its value when the trade is unwound or reversed.

In a CFD account you can buy and sell listed assets that are priced in US dollars (like stocks and oil) and SA Rands (crypto assets like bitcoin) how is this possible ?

When you trade CFDs, you are not buying the underlying asset (e.g., physical stocks or commodities). Instead, you are entering into a contract with the broker based on the price movement of the asset.

Another possible answer would be that your broker will do the currency conversion on your behalf, but this is not the case in a CFD trading account, because in a CFD account you are not buying or selling the actual asset, you are betting on the market movement hence you are able to make money on both sides of the market.

In a CFD account, you will only see the profits or losses from your trades, if you buy stocks that are equivalent to 916.876 ZAR that 916.876 ZAR will not be subtracted from your account you will only see the losses or profits resulting from your trades.

In CFD you can make money by placing a sell trade and make money when the market goes down and place a buy trade and make money when the market is bullish but in the real market you can only make money by placing a buy and only make money when the market is bullish

Only CFD brokers offer leverage. Some computer application or apps show your account balance after leverage some don’t. the fees that paid in OTC, CFD trading Account are Spread, Commission and Swap

A Partner in the CFD market is a physical person or entity approved by the broker to introduce Prospective Clients to the Company and/or to its Affiliated Entities under the terms and conditions of Agreement. A partner Account is the unique account assigned by the broker to any Partner for the purpose of receiving the Partner Commission. A partner Link is the unique link provided by the broker to the Partner for identifying the Partner activities and the Clients introduced to the Company and/or to its Affiliated Entities by the Partner.

There are several financial centers around the world, each operating in different time zones. When the trading of one currency is closed at one financial center, it continues at another financial center in a different time zone.

As a result, time zones can affect the appearance of candlesticks because the market opens and closes at different times in various locations. The shape of the candlesticks may differ depending on the time zone you are using. However, this is not always the case, as some brokers use a single time zone that applies to all their customers worldwide.

For example, if you and I use the same broker, but you live in New York and I live in Pretoria, and our broker operates with New York time, then the market will open at Monday midnight 00:01 New York time for both of us. This means that in Pretoria, where Monday midnight 00:01 New York time is Sunday 22:00, the market will open at that time. The same scenario applies when the market closes.

The two market theories I like are the auction theory and Bernie Mandoff’s theory. The auction theory suggests that the financial market is a large auction where participants are arguing or competing on the price of an asset. Bernie Mandoff’s theory

suggests that the financial market or his business is a big scheme where the first investors who want to cash out get their profit from new investors who deposit money

Mark Douglas's market theory is similar to auction theory but differs in its explanation. His theory is based on profiting from someone else's losses. He argues that as a trader, you are entirely dependent on other traders to make you a winner.

When you and I enter a trade—let's say we buy at 7—what are we really saying? We are essentially betting that someone else will enter the market after us and buy at a worse price than we did. This person has such strong conviction that the market is going to go up that they are willing to buy at a worse price. If nobody comes into the market to take out the offers at 8, 9, or 10, the market won't go up, and we won't have a winning trade.

The implication is that for every trade we make, we are dependent on other people being willing to buy at worse prices, or else we won't be successful. This starts to put the idea of trading into a different perspective. Essentially, you are trading based on other people's perceptions of what is high and what is low. Any technical indicator or price pattern you use, or any trade you make, is really about trading other people's perceptions of value.

When you think about how well you might know other people's perceptions, it starts to make less sense to hold on to a trade that isn't working. Instead, you should say, "Hey, if people aren't coming in to buy at a higher price than I did, I'm going to give them some room from here to there, but if they don't come in, I'm out of this trade and will move on to the next one.

AUD/Gold has a higher spread compared to USD/Gold, even if we convert AUD/USD. For exotic pairs like ZAR/Bitcoin and

USD/Bitcoin, the spread arbitrage is significant. For a beginner, this issue might not seem like a major concern, but when you start trading small accounts, you'll see that spread arbitrage is a big problem because every cent counts. The spreads within the financial market as a whole increase when the London and New York sessions close.

It is said that the financial market is controlled by market participants. My question is, how then do I increase USD/ZAR from 1/ 19,1234 to 1/ 16,8112? The formula used to calculate the price of all listed assets or trading instruments was something I researched until I decided to stop. All I know is that as an individual trader, you cannot directly control or manipulate exchange rates.

However, I think it is worth mentioning that I once read an article about a South African hedge fund manager who used $725 million to manipulate the USD/ZAR. Before the manipulation, USD/ZAR was ranging from 1USD/14.50 ZAR to 1USD/13.15 ZAR, and after the manipulation, it dropped to 1USD/12.52 ZAR.

If I own an asset, be it stocks, commodities, indices, foreign currency, or cryptocurrency, that is currently trading at $187.9112, what is stopping me from selling it at $200?

Major participant types in the financial markets.
Natural Hedgers is non-speculative activity. For example, a company that exports goods may hedge against currency fluctuations by using financial instruments like futures or options. Their participation is non-speculative and aimed at reducing risk rather than making profits from market movements.

Banks/Market makers are individuals or firms that facilitate trading by providing continuous bid and ask prices for a particular

security. They stand ready to buy or sell the security at publicly quoted prices, thereby enhancing market liquidity and efficiency.

There are also Central Banks, who may intervene in the Forex markets if they think their currency is priced too high or low for their economic policy goals. They are not seeking to profit but they are not hedging, either. For example, if a local currency is high vs the USD, it makes it challenging for domestic companies to export as their goods seem expensive to the international market and the central bank may intervene by selling its own currency in the interbank. Central Banks may also purchase foreign currencies to build up their national reserves.

Finally, there are the speculators, who are trading Forex to make a profit. These range from retail traders, trading from their mobile phones to multi-billion-dollar hedge-funds. These speculators only wish to bet on the direction of the price so will only trade when they have reason to believe they have an edge.

The big players or large investment institutions do not move the market based on rumours or irrelevant fundamental news; they move the market based on value. However, they can trick you by creating charts that are difficult to analyse, making it hard to see the actual price value. For example, if there's a news event approaching and you notice the market is already reflecting the forecasted news event data, it’s likely their doing

I think market makers make money by taking the opposite side of your trade. For example, if 65% of traders worldwide decide to buy the U.S. Dollar against the South African Rand, the market makers (big investment institutions) use their money to take the opposite side of those trades. Since they have more money, they can dominate the 65% of traders. However, I also think this is not always the case, because the financial market is so large that it

cannot be easily manipulated. Remember, many factors contribute to the value of a listed trading asset.

The price moves as a result of traders placing trades; it is the orders entered into the market that cause the movement up or down.

My definition of market manipulation includes fake breakouts, bull traps, bear traps, and stop-loss hunting. However, identifying a fake breakout or a bull/bear trap is a skill you need to learn, so these patterns are just characteristics of the market.

Stop-loss hunting is a form of market manipulation but also a characteristic of many, if not all, brokers. Pump and dump refers to spreading fake news to attract investors to invest in something that doesn't exist, which is another form of market manipulation.

Is it true that someone has to lose money for someone else to make money when trading the financial market? If not, then where does the money come from if everyone in the financial market is making money?

Well, I don’t have an answer to that question, because to answer it, you need to understand what causes the market to fluctuate. And I don’t have an answer to that question either—I only have ideas about what might cause it. The funny thing is, I don’t even fully understand those ideas. I think it makes sense that someone has to lose money for someone else to make money.

In a growing economy, businesses generate value through productivity improvements and expansion. Investors who buy shares in these companies can benefit from the appreciation of their investments over time as the businesses become more valuable. This value creation doesn't necessarily come at the expense of others; instead, it reflects the overall growth and prosperity of the economy.

In the event of a stock market crash, stock prices decrease because the company is losing some of its assets. For example, if you own stocks/shares in a farm and a storm destroys all the crops, the farm's stock price will decrease since the value of the farm has decreased. If the land alone is worth $100.14, and with the crops, it's worth $900.00, then if the crops are destroyed, the value of the farm will drop back to $100.14. However, the stock market is not directly tied to the actual worth or value of the company—these are two different things. Hence, we have financial instruments that are considered undervalued or overvalued.

A fall in asset prices is caused by sellers selling the asset and not having enough buyers to balance the price. An imbalance of power in asset exchange between buyers and sellers is what causes the fluctuation in asset prices.

The first wave occurs when traders buy the listed asset, causing the asset price to rise. The second wave follows after the buyers have purchased, as we wait to see if the sellers (those who bought the asset) are ready to take their profits and begin to sell. True market movements are based on the demand for the asset. Markets move based on the news versus expectations.

In times of mass investor optimism and greed, buyers rush in and push the asset price far above its value. In times of fear and panic, investors sell their shares, causing the asset price to fall far below its value.

Fund managers and the investing public tend to focus on short-term performance. They typically buy assets when there is a lot of good news (e.g., a strong economy, a company’s earnings exceeding forecasts, the launch of a new product). This is called momentum investing.

Most average investors jump in too late, after all the professional fund managers have already entered, when the stock price has nearly peaked. Inevitably, they find that stock prices start falling

soon after. Out of fear and panic, they sell the stock and end up with a loss. This is why typical investors often experience falling stock prices shortly after entering the market.

The market is known to sometimes move 100 pips just moments before a major news release, making it a potentially profitable time to trade for the brave. This happens because large corporations, like banks, have access to sensitive information and place trades earlier, as they receive the information before anyone else. So, the next time there is major economic news, such as company earnings being released, and the market is already bullish or bearish, you'll know what that means.

A GDP below zero (a negative number) indicates that the economy is shrinking and heading toward a recession. High or rising interest rates can negatively impact an investor's overall financial situation.

The Law of Supply and Demand: Prices in markets are determined by the interaction of supply and demand forces. When there is excess demand (demand exceeds supply), prices tend to rise as buyers compete for limited goods. Conversely, when there is excess supply (supply exceeds demand), prices tend to fall as sellers compete to attract buyers

Fundamentals Analysis

Fundamentals do not change. If there’s a report, news, or rumour that presents a negative perspective about a certain market; that market will remain bearish until something shifts investors' point of view. For example, if the South African Reserve Bank increases interest rates, the Rand may stay in a bullish market for months. Similarly, if a company releases an earnings report showing low performance, the stock price will likely remain in a bearish market for months.

When the market is active and moving but then suddenly becomes quiet, it's often a sign that it won't go much further. Also, when the market noise is moderately loud and then suddenly becomes very loud, instead of signalling that the market is about to take off, it often indicates that the market is encountering a greater number of opposing orders.

There may also be sharp movements in price action without any economic news, suggesting that the price action is random.

In the context of fundamental analysis, the asset's price you see does not always reflect its true value

Economic Calendar

Key performance indicators (KPIs) are quantifiable metrics analysts use to evaluate progress toward an asset listed on the financial market. The economic calendar is a tool that provides all the fundamental news events (KPIs) you can use to make predictions about the market.

The economic calendar can only provide you with data limited to one country. You can use it to search for news events that impact companies operating locally, but not both locally and internationally. For example, using the economic calendar to find news events that will affect the stock price of a global company like McDonald’s is impossible because McDonald’s operates worldwide, not in just one country.

The commodity market is vast, and only a small portion of certain commodities is controlled by multiple countries. You need to collect data from the countries that control a significant portion of the commodity you're researching. For example, when looking at gold, we know that as of June 2023, China and Australia are the biggest producers. So, the economic calendar news events you want to monitor should come from these countries.

Monday weekly analysis simply means reviewing all upcoming news events and analysing how they might impact the market.

Economic news events (KPIs) can trigger technical movements, such as breakouts or trend reversals. News categorized as medium, high, or low impact serves as a guide to how much each event typically affects the markets, though it is not a perfect indicator.

Historical data for the following news events/KPIs are recorded in chart format by financial data providers.

Inflation is the increase in number of currency E.G when there is a printing of currency notes there is inflation. Prices of goods and services going up is CPI consumer price index

Consumer Confidence Index: If consumers feel safe in their employment they spend more money, which drives economic growth. On the other hand, consumers that are not confident in their jobs and economic futures will not go out and spend. This news event affect Currencies, indices, stocks

Retail Sales: measure the change in the total value of inflation-adjusted sales at the retail level. It is the foremost indicator of consumer spending, which accounts for the majority of overall economic activity. This news event affect retail shops

Interest Rates: Low interest rates encourage consumer spending, but do not bring in foreign investment, while higher interest rates discourage consumer spending, but do bring in foreign investment

Gross Domestic Product: The GDP is the widest measure of the economy and its activity it does not have much of an effect on the forex market, because by the time it comes out, a good portion of its components are already public, resulting in reasonably accurate expectations. This news event affect Currencies, indices, stocks.

CFTC Gold speculative net positions the commodity Futures Trading Commission's: is weekly Commitments of Traders (COT) report provides a breakdown of the net positions for "non-commercial" (speculative) traders in U.S.

Trade Balance: A higher than expected trade balance indicate a growing economy which in turn leads to increase in stock prices

.exporting companies benefit from higher trade balance This news event affect indices and stocks the most.

The U.S. nonfarm payrolls release is the number-one most market-moving indicator for the U.S

The reason why unemployment data is important is not just that it shows there is a lot of economic activity, but also because when more people are employed, more tax is collected.

One reason you should listen to a national budget speech is that it informs you where the government is focusing and investing money. This allows you to invest in the areas where the government is putting money. You should also pay attention to economic and finance conferences to understand where the global focus lies.

When you filter the economic calendar to view only high-impact news events from all countries, you are called a "news event trader." What you are essentially doing is identifying news events that will significantly impact the market in the long run and betting on them.

When you filter the economic calendar to view all the news impacts of two countries, such as AUD/CAD, for two days (one being the previous day and the other the current day), you are considered a "day trader." What you're doing here is looking out for any news event that might affect your daily trades.

Most day traders filter news impacts like news event traders, and they lose money because they are not using the economic calendar correctly.

What controls the price of financial market instruments are the market participants. If economic news events, company financial

data, or other financial data controlled prices, we wouldn’t have stocks, currencies, or other instruments that are considered overvalued, undervalued, or manipulated.

It is the market participants who manipulate financial instruments by overbuying or overselling a particular asset. Does this mean all financial data is useless? No. The data serves as a guide for whether you should buy or sell and to help determine the risk of upcoming bearish market trends.

Technical Analysis

Charts (technical analysis) only track the past; they do not predict the future.

Trend trading involves identifying higher highs and lower lows. The best trend following occurs when the trend is gently steep. All trends have candlesticks of similar size. The Zig Zag indicator draws trend lines for you. The steepness of chart lines indicates the amount of buying or selling pressure. Continuous candlesticks with top high wicks or bottom high wicks indicate a trading range.

Chart patterns are used for price entry. If you want to place a trade, you need to identify the chart pattern first to determine your entry point. However, be aware that even if prices manage to break out above a significant level, a continuation move is not guaranteed.

A "Hunny chart" is a chart that is easy to analyse using technical analysis methods. When trading based on technical analysis, trade financial assets that are easy to analyse technically. If you see an opportunity (a Hunny chart) in currencies, stocks, commodities, or crypto, place a trade and ignore fundamental analysis.

Order Flow and Footprint charts are tools that show you the buyers and sellers in detail. They are great for identifying what caused a spike in the market, whether it was a single large purchase or a bulk of buyers aggressively buying that asset.

I don’t use these tools because, to me, Order Flow, Footprint charts, and Candlestick charts all provide the same information. However, Candlestick charts are preferable because they are less complex. I find the information from Order Flow and

Footprint charts unnecessary; if you understand Candlestick charts, you should be fine.

In a one-minute time frame, bear candles can be the wicks of a bull candle in higher time frames. obviously, this is not entirely true because a wick of a one-minute candle can form a wick on a candle in a higher time frame. The point here is that viewing the one-minute time frame this way can help you understand the market better.

Top-down analysis is when you analyse the chart from a higher time frame down to a lower time frame. If the monthly candle is bullish and the weekly candle is bearish, that means the monthly candle is forming a wick. If the weekly candle is bearish and the daily candle is bullish, that means the weekly candle is forming a wick. If the daily candle is bearish and the hourly candle is also bearish, that means the daily candle is continuing to fall. Beware, wicks are very manipulative; the market may appear to be in a bear market but can end up forming a wick and moving in the opposite direction.

Chart pattern shift is a change in the pattern direction of a chart, from a trend (uptrend or downtrend) to a range. Chart patterns change; they do not stay the same. The big problem is you never know when the pattern is going to shift. Because of chart pattern shifts, you are more likely to make money by doing the opposite of your analysis.

Doing the opposite of your analysis is when you analyse the market and conclude that you should buy, but instead, you sell. When you place a trade, consider how the price might fall or rise. Do not just place a trade because you assume the price will rise; consider both possibilities. This is what chart pattern shift is all about. Doji candlesticks mostly indicate that a chart pattern is about to shift.

Length Probability is when you look at the length of previous candles and try to determine the length of the next candlestick. You cannot enter a position with the expectation that the market will rise while the daily chart shows that the length probability (the highest and lowest price of a candlestick) of the daily candle is 100 pips, and you enter the market when the daily candlestick is at 800 pips, expecting it to go higher. At this stage, the market is about to form a wick, and you will lose money due to wick formation.

When determining the length probability of a daily candle, make sure there is no high-impact news coming out that day, as this will affect the candle's length as well as its direction. Always determine two length probabilities. The first is for the short candle, which you assume will form. The second is for the lengthy candle, which appears when the market surprises you with a very long candle that is not backed up by any fundamental news. Determine the second length probability using the previous lengthy candles that appear frequently.

Do not be fooled by previous candles with very long wicks; wicks also count. A matured candle is a candle that has reached its expected full length. When we say the candle has now matured, it means the next move should be wick formation or ranging.

Market average movement refers to the average pace at which the market is moving. Most traders, including myself, often make the mistake of expecting the market to quickly move in our favour the moment we place a trade or expect it to hit our take-profit target within a few hours or days. Always check the market's average movement so you have a realistic expectation of when to expect returns. Keep in mind that the market's average movement changes frequently, and it doesn't stay the same, which contributes to the randomness and difficulty of trading.

Bollinger Bands is a great indicator for measuring market average movement

Wick formation: Wicks are very manipulative and can trick you into thinking the market is in a bullish trend, only to change direction later. There are many ways wicks can form. If you see a candlestick moving bearish or bullish without a wick, it might indicate that wick formation is about to occur.

There is a big difference between a wick and a manipulated candle. A wick is typically small. Candlesticks with very lengthy wicks are considered manipulated candles or reversal candles. This happens when the market moves rapidly in one direction, then reverses and forms a candle with a long wick. In other instances, the market trends smoothly but spikes in the opposite direction, forming a candle with a lengthy wick.

When it comes to timing wick formation, you'll need a lot of experience because there's no common time when a wick is likely to form or a common pattern for how a wick forms. Wicks are a trader's enemy.

"…*The wick of the bearish candlestick in the image above was very manipulative. You can see how long it is. During that day, you might have thought the market was in a bullish trend (especially because the previous candles were bullish), but instead, it formed a wick and changed direction to form a bearish candlestick*."

The relationship between higher time frames and lower time frames when a wick is forming on a higher time frame: We know that the market consists of two market structures—trend and range. If the market is ranging on a lower time frame just as a new candle starts to form on a higher time frame, it's likely that the candle on the higher time frame will have a small or no wick because after a range, a trend usually follows.

If the market is still finishing its trend while a new candle is forming on a higher time frame, it's more likely that the candle on the higher time frame will have a larger wick, as the market may range and then head in the opposite direction.

Support & Resistance vs. Tops & Bottoms: The difference between these two concepts is that support and resistance represent specific price zones where buying or selling interest is concentrated, helping traders identify potential entry or exit points. Tops and bottoms, on the other hand, refer to the highest and lowest points in a price trend. In essence, support and resistance focus on horizontal levels of price interaction, while tops and bottoms address the extremes of the overall price trend.

These two concepts can be misunderstood since support and resistance levels can also act as tops and bottoms.

To identify the tops and bottoms of a chart, I use the zigzag indicator.

To find the true value of currencies, stocks, or commodities, we use two methods: fundamental analysis or technical analysis. With technical analysis, I use support and resistance. The price between support and resistance is the true value of that financial instrument.

Support and resistance should be thought of as zones or areas rather than exact lines. Support is the zone at which a financial instrument is ranging or at its true value. Resistance is the price zone at which the market resists breaking through.

When the price is above the resistance level, the financial instrument is overvalued; when the price is below the support level, the asset is undervalued. A breakout below support or above resistance indicates a new price value.

To accurately draw support and resistance lines, switch to a higher time frame and place horizontal lines at the low and high prices that the candlesticks have reached. These horizontal lines (support and resistance) will be visible when you switch to a lower time frame. The price in between those lines represents your "true value."

Did you know that chart patterns are created by big investment institutions? Think about it—do you really believe that the support and resistance lines are formed solely by individual traders in the market? No, there are people influencing and "painting" that image

Entry Point
I recommend placing positions at resistance and support zones. However, when calculating percentages at these stages, the market has often already moved significantly, and many traders are likely taking profits. If you place a trade at this zones and the market turns against you, it's a sign that your analysis was wrong.

That slight chance you perceive as a potential fake breakout can cost you. Therefore, always ensure that you meet all your trade requirements before entering. Pay close attention to wick formations, especially when you're about to close your trades.

If you buy in the range zone and the market attempts to touch the support or resistance zone before moving up or down, chances are you've probably placed your stop loss at that level.

Spike & Market Reversal. A spike is a sharp movement in one currency that affects all the currency pairs it is paired with. For example, the EUR can spike and affect all the currencies it's paired with, such as EUR/ZAR and EUR/USD. A market reversal occurs when a currency rallies to an overvalued price and then reverses back to its true value.

After a spike, we often expect the market to recover, but this is not always the case. Just because the EUR spiked doesn't mean all currencies paired with the EUR will reverse back.

The Big Question: How much money in South African Rands would it take to cause a spike in all currencies paired with the ZAR?

Big spikes, this is the reason why it is important to place a stop loss or take profit, Situations like those are very rare, but if you are not careful, it will cost you your entire trading career.

Indicators make historical data easy to analyse, but when it comes to speculating on the future market, it's a whole different story. Even though the indicator may suggest a buy opportunity, if you look closely enough, you'll see it could also be indicating a sell opportunity. It's only afterward that you might realize it was actually pointing to the opposite trade.

That being said, I don't discourage anyone from using indicators. After all, just because someone couldn't prove something works, it doesn't mean the researcher's opinion is final. I don't believe in indicators, but I do have a few that I find useful.

"…*I can give you dental tools, but that doesn't mean I'll let you anywhere near my teeth–just like I could give you my trading tools, but that doesn't mean I'll let you anywhere near my trading account*."

This phrase resonates with me because it makes me realize I could be using indicators incorrectly since I don't fully believe in them.

Candle stick patterns or chart patterns go by many names like three white soldiers, bullish engulfing, fractals, and morning star. Just like indicators, they make analysing historical data easy. If

you place a buy position because you see a bullish engulfing pattern that suggests an uptrend, you might later find that the market forms another pattern, proving you wrong.

Candle sticks and chart patterns shouldn’t be seen as clear signals to place a trade. Instead, they act as a guide to where the market might be heading or indicate the probability of whether it could be bullish or bearish. These patterns can also help you figure out the best places to set stop losses—"yes, stop losses are determined by how much you’re willing to lose”

Fundamental Analytics vs Technical Analytics

The reason I don’t focus on fundamental analysis is that I believe in price action and short-term trades. Technical analysis is simple and can be applied to all trading instruments in the financial market. I trade the financial market as a whole. Fundamental analysis, on the other hand, is more for specialists, like an agricultural commodity trader specialising in coffee. You can’t trade the financial market as a basket and focus on fundamental analysis—it's too much to handle.

Fundamentals are important but hard for retail traders. This might explain why the average retail trader ignores them entirely and only relies on technical analysis. That, in turn, might explain part of the reason why the average retail trader loses money.

Fundamental analysis and technical analysis are similar because both methods are based on past performance. If you buy a stock because the company’s earnings are positive, it's the same as buying a stock because the last candles were bullish. Think about it—when a company releases an earnings report, they are telling you what they earned in the last three months, not what they will earn in the coming months.

Technical analysis traders buy stocks based on chart patterns. This is the same as buying a stock because it tends to perform better during certain seasons of the year.

The point I’m trying to make is that if you believe blindly in fundamental analysis, you’ll be convinced it’s more important. Likewise, if you believe blindly in technical analysis, you’ll be convinced it’s the better method. Both analysis methods work. After all, when you’re analysing the market, you are really just convincing yourself of the possible future market trend.

Commodities

Commodities are raw materials that are widely traded in the global market. we have agricultural commodity such as coffee, soybeans and wheat. Energy commodity such as natural gas and oil. Metal commodity such as gold, silver and platinum.

When it comes to commodities, the mining or farming companies/stocks are the KPIs themselves. Since these companies are key indicators for commodities, an index of all commodity companies would be a great indicator for the commodity market.

Earnings calendar for the stock market: Since commodity companies affect all listed commodities, the earnings calendar can help you make speculations about the commodity market.

Commodity category needs & wants: if you are thinking of investing for a long term, consider the fact that coal might be seen as energy essential but after some time when new renewable energy is discovered coal won't be essential anymore.

The big three questions: List of countries that exports the most aluminium, wheat / List of countries that holds the most gold or List of countries that consume the most coffee / List of countries that has the most gold mines or cocoa farms.

A country can produce a lot of oil and consume most, if not all of it — as the United States does. On the other end of the spectrum, a country can produce plenty of oil and export most of it, as is the case in the United Arab Emirates. This answers the question of why a country with rich oil reserve imports oil, it's because they consume more than what they produce.

Having large deposits of crude oil doesn't mean that a country has exploited and developed all its oil fields. For example, although Iraq has the third-largest oil deposits in the world, it's not even among the top ten producing countries, because of poor and underdeveloped infrastructure. There's a big difference between proven reserves and actual production.

The Organization of Petroleum Exporting Countries (OPEC) is made up of countries that are involved in the production and export of crude oil products around the world. Currently, OPEC has 11 member countries: Algeria, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela. OPEC's members collectively hold about 65 percent of total crude oil reserves and produce 40 percent of the world's oil,

Production numbers are important when trading commodities. Check how much the countries or companies that produce 90% of that commodity have produced. For example, take oil. The largest producers of crude oil are 1 Saudi Arabia 2 Russia 3 United States 4 Iran 5 China 6 Canada 7 Mexico 8 United Arab Emirates 9 Kuwait 10 Venezuela.

You need to check whether these countries produced more, less, or just enough oil. If more oil was produced, prices will drop. If less was produced, prices will increase. Another key factor is inflation—if global inflation is high, oil prices will also increase.

Commodity KPIs: The volume of gold coins sold by mints, which indicates demand for gold among retail investors. The amount of gold held by central banks, which can indicate confidence in gold as a store of value and reserve asset. The total market value of all publicly traded gold mining companies, which indicates the size and importance of the gold industry.

commodity inventories, the amount of oil in storage around the world, which can indicate the balance between supply and demand.

Events like hurricanes, floods, and droughts can destroy crops leading to increased food prices.

climate change can affect the cost of producing Coffee: as temperature rises more specialised equipment are needed which in turn increase coffee prices

Seasons: since agricultural commodity are harvested in certain seasons when that season starts, we can expect low prices

USA dollar, as gold and oil are priced in US dollar a stronger US dollar tends to lower gold prices. Whereas a weaker US dollar is likely to drive gold prices higher. It is because more gold is bought when the US dollar value is weak.

Currencies

The first question everyone asks themselves is what determines the value of a currency. It’s said that the value of a currency is primarily determined by supply and demand.

Supply, the amount of a currency available in circulation. This includes both physical bills and coins as well as digital money held in bank accounts. Demand: The desire or need for a currency. This can be driven by various factors, including trade, investment opportunities, tourism, and speculation.

When demand for a currency is high relative to its supply, its value tends to go up. Conversely, when demand is low compared to supply, its value may decrease. Think of a currency like a product in a store. If many people want that product (high demand) and there's only a limited quantity available (limited supply), the price of the product goes up. On the other hand, if not many people want it and there's plenty on the shelves, the price might go down. My question has always been who decides what the value of a currency is

In the context of currency markets, the value of a currency is not determined by a single entity or individual, instead it's determined by the interactions of millions of market participants, including individuals, banks, corporations, governments, and other financial institutions, all around the world. These participants collectively influence the supply and demand for currencies, which in turn determines their relative values. but do bear in mind that there are large companies that have a massive influence

So, in a sense, the value of a currency is decided by the market itself through the continuous buying and selling of currencies by these participants. Market participants make decisions to buy or

sell currencies based on a multitude of factors, including economic indicators, interest rates, geopolitical events, market sentiments, trade balances, and more.

With all that has been explained, this leads us to the following question.

the USA's economy/GDP is 27 trillion dollars and the UK's economy/GDP is 2 trillion dollars, but the currency of the UK is stronger than the USA's how is this possible since the strength of a currency is determined by supply and demand. if the USA's economy is far bigger than the UK's that probably means the demand for the US Doller is bigger which in turn means the US Doller should be stronger.

Apparently, the size of an economy is important but it's not the sole determinant of currency strength. Higher interest rates can help combat inflation by reducing borrowing and spending, which can, in turn, protect the real value of investments.

The value of the south African Rand without pairing it with other currencies. Currency index, the Dollar index is a measure of the strength of the U.S dollar relative to a basket of foreign currencies.

What is the formula that is used to calculate the price of EUR/USD as paired currencies using dollar index and the euro index.

The Dollar Index and Euro Index are not directly used in this calculation. These indices provide a measure of the relative strength of the respective currencies against a basket of other major currencies, and they can give you an idea of the overall strength or weakness of the USD and EUR. However, the

exchange rate is typically determined by the supply and demand for each currency in the foreign exchange market

A currency strength meter assesses the relative strength of a particular currency against other currencies in the forex market. It typically works by comparing the performance of one currency to a basket of other currencies. The Dollar Index and Euro Index are all currency strength meters.

currency strength meter or Dollar Index & Euro Index works in the following way. If the USD is strong against CAD, CHF, JPY, weak against GBP, EUR and neutral against AUD and NZD.

The calculation will be CAD +1, CHF +1, JPY +1, GBP -1, EUR -1 AUD +0 *(zero)*, NZD +0. The answer is +1. This means the USD is strong therefore the US dollar index will be bullish but with a small candle because +1 represent weak bullish trend/market.

When a candlestick has long wicks and a small body, it indicates uncertainty or indecision in the market. In this system, this category is assigned a value of zero. If the body of the candle is larger than the wick, it suggests dominance by either buyers or sellers, and the candle is categorized as either positive one or negative one based on the direction of the movement. Doji candles, characterized by their small bodies and often equal or nearly equal open and close prices, along with other small candles, are categorized as zero. This classification signifies market exhaustion or a lack of significant movement, resulting in a neutral assessment of currency strength.

When people talk about the price of one foreign currency in terms of another and neither of the currencies is the US dollar (reserve currency), it is called a cross rate. Assume you want the GBP/JPY cross rate, the number of JPY per 1 GBP.

125.06JPY = 1USD
1 GBP = 1,5467 USD
therefore, 1 GBP = 125.06GBP * $ 1,5467 = 193.4303
GBP/JPY= 193,4303

cross rate is the reason why triangular arbitrage is almost impossible. You cannot convert two currencies without a reserve currency. It probably took brilliant mathematicians to come up with the math behind Currency convention.

The first world's reserve currency is the British pound. Why do countries choose to use the USD as the "world's reserve currency" There is no low that says the US (united states of America) Doller should be the world's reserve currency people or countries just choose to execute international transection in USDs because of its liquid stability. if you store or hold on to the USD you are less likely to lose your money due to forex (that currency decreasing in value).

Imagine an investor holding on to the Zimbabwean dollars the investor will probably lose lots of money in a day due to forex losses. Since governments and large corporations can trade goods without the use of the world's reserve currency individuals and small business owners can only rely on a world's reserve currency to import or export goods.

Currency Value Implications, the ratio of money circulation to GDP is often referred to as the "money supply to GDP ratio." In this case, the ratio is 900/400 = 2.25. This suggests that there is more money in circulation (2.25 times the GDP) compared to the country's economic output.

if south Africa's GDP is 400 billion USA dollars and its money circulation is 900 billion USA dollars, what does this mean for the currency of south Africa.

Currency alignment is just a fancy name used to describe money circulation. When one country's currency value decreases another one has to increase because it's all just money circulation from one country to another and to another one.

Currency values decrease when there is excess supply (during export day, the local currency is bought resulting in currency value. One thing you have to put in mind is that export day is not a day for payments.

Capital flows measure the net amount of a currency that is being purchased or sold due to capital investments. Two types of capital flows—physical flows and portfolio flows.

Physical Flows encompass actual foreign direct investments by corporations such as investments in real estate, manufacturing, and local acquisitions. Portfolio Flows involve measuring capital inflows and outflows in equity markets and fixed income markets.

Carry trade is a fundamental-based trading strategy which exploits the interest rate differential between currencies, the strategy consists of going long a currency with a high interest rate while simultaneously going short a currency with a low interest rate. After the USA increase its interest rate most countries will respond to this so you only have a week or more to make money. Also do not forget that interest rate increase will not move the market in an instinct

Why is housing an important factor in the forex market, it's because to get a house most people seek for a home loan, money is created through loans. When you make a transaction between two countries, it's just money circulating from one place to another, but home loans insert new money into the economy.

List other thing that stimulate money supply or insert new money into the economy.

The reason we do not have many good trends anymore is that the central banks are preventing currency moves from getting out of hand by taking the other side of the trend.

Foreign official purchases of U.S. assets (also known as the Treasury international capital flow or TIC data) have become one of the most important economic indicators anticipated by the market.

Indices

when I invest in indices were does the money go because with stocks, I know the money goes to the company or the person who is selling his/her stocks, and why is it that indices are traded all day while the stocks that make up that index are only traded for 6 to 8 hours.

when you invest in an index, your money doesn't go directly to a specific company or companies as it does when you purchase individual stocks. Instead, your investment in an index is structured differently. Here's how it typically works.

Ownership of Underlying Assets: When you invest in an index, you're essentially buying a portfolio of the underlying assets that make up that index. These assets can include stocks, bonds, commodities, or other financial instruments, depending on the index you're investing in. You don't own shares in individual companies; rather, you own a proportional
Interest in the entire index.

Who establishes indices. Stock indices in the financial market are typically established by financial services companies or stock exchanges.

If you’re going to invest for the long term, stock indices are the way to go. I don’t think you can ever go wrong with indices. Yes, the profits might be lower, but indices are safe. Unlike investing in a company where you don’t know if it will exist in 30 years, an index removes companies that aren’t doing well.

The only problem you might face when investing in indices for the long term is your broker. You never know if your broker will survive that long (especially if you’ve bought indices through

CFDs, which isn't a good idea). That's why it's important to review your broker at least every three months.

There are certain news events in the economic calendar that can help you predict the indices market. For example, mining production will obviously impact indices with a lot of mining companies in them.

When you use the economic calendar to look for news that will affect the indices market, the companies in that index need to operate locally. Otherwise, if some of the companies operate both locally and internationally, your analysis could be off because the news will only affect companies operating locally.

My broker offers three U.S. indices: the Wall Street Top 30, US Tech 100, and S&P 500. The S&P 500 index covers them all. These indices are correlated with the stocks that are part of their portfolio.

Analysing indices is hard because there are so many companies involved, it is hard to analyse the health of all the companies that are constructed into an index. Generally indices are used to measure the scale of an economy. by analysing an index that consist of companies that operate in one country you are analysing the economic scale of that country.

The three major KPIs of indices is Speculated economic growth, Unemployment rate and Political environment.

Stocks

What are stocks, if you have a company and people want to invest in your company in terms of loans and stocks. When you loan a company, they have to pay you back your money should they decide to close the company but with stocks they do not.

Think of it in this way, you have a business, and someone wants to invest into your business, you say ok give me $1000 (invest your money in stocks) and I will give you a share(dividends) of our profit should we gain some.

let's say someone says invest in my company in two ways, loans and stocks. When you loan a company, you earn interest and after an agreed period you get your money back plus interest.

With stocks the company sells stocks to you, you buy these stocks and when the company makes a profit, they give you a share of that profit which is called dividends but with stocks you own them as long as the company still operates, and those stocks can be sold to someone at a price the two of you agree on.

In stock exchange there are prices which you are forced to sell your stocks at or maybe we can say stockbrokers give you a recommended price to sell your stocks at. E.g. 1 USA dollars is equivalent to 18 south African Rands but that does not mean you can't sell 1 USA dollars for 30 south African Rands

Categories of stocks
Blue-chips stocks, (Big companies) the company is popular, and it has a good reputation.

Growth stock, (medium size companies) the company is at-least 10 years old, it has a good reputation, and the stock price is rising. If a company's earnings grow 15 percent per year over three years or more, and the industry's average growth rate over the same time frame is 10 percent, then the stock qualifies as a growth stock.

Speculative, (small or emerging companies) or penny stock, this is a new company, investors spot a potential (the company's service or product is in-demand) in this company and decide to invest in it.

The two primary types of stocks are common and preferred. Common stock: This type of stock, entitles the owner to vote at shareholders' meetings and receive any dividends that the company issues.

Preferred stock: This type of stock doesn't usually confer voting rights, but it does include some rights that exceed those of common stock. Preferred stockholders, for example, have preferential treatment in certain conditions, such as receiving dividends before common stockholders in the event of a corporate liquidation or bankruptcy. Additionally, preferred stock seeks to operate similarly to a bond for investors seeking stable income.

Market capitalization is simply the value you get when you multiply all the outstanding shares of a stock by the price of a single share. Calculating the market cap is easy; for example, if a company has 1 million shares outstanding and its share price is $10, the market cap is $10 million.

From a safety point of view, a company's size and market value do matter. All things being equal, large cap stocks are considered safer than small cap stocks.

However, small cap stocks have greater potential for growth. Compare these stocks to trees: Which tree is sturdier, a giant California redwood or a small oak tree that's just a year old? In a great storm, the redwood holds up well, whereas the smaller tree has a rough time. But you also have to ask yourself which tree has more opportunity for growth. The redwood may not have much growth left, but the small oak tree has plenty of growth to look forward to.

For beginning investors, comparing market cap to trees isn't so far-fetched. You want your money to branch out without becoming a sap. Although market capitalization is important to consider, don't invest based solely on it. It's just one measure of value. You need to look at numerous factors that can help you determine whether any given stock is a good investment

Imagine that you like eggs, and you're buying them at the grocery store. In this example, the eggs are like companies, and the prices represent the prices that you would pay for the companies' stock. The grocery store is the stock market.

What if two brands of eggs are similar, but one costs $2.99 a carton, and the other costs $3.99? Which would you choose? Odds are that you'd look at both brands, judge their quality, and, if they're indeed similar, take the cheaper eggs. The eggs at $3.99 are overpriced. The same is true of stocks.

What if you compare two 10 PART 1 The Essentials of Stock Investing companies that are similar in every respect but have different share prices? All things being equal, the cheaper price represents a better buy for the investor. But the egg example has another side.

What if the quality of the two brands of eggs is significantly different, but their prices are the same? If one brand of eggs is stale, of poor quality, and priced at $2.99 and the other brand is fresh, of superior quality, and also priced at $2.99, which would you get? I'd take the good brand because they're better eggs.

Perhaps the lesser eggs are an acceptable purchase at $1.99, but they're overpriced at $2.99. The same example works with stocks. A poorly run company isn't a good choice if you can buy a better company in the marketplace at the same — or a better — price

Dividends can impact the valuation of a stock. Generally when a company announces a dividend, the stock price may experience an increase since investors anticipate the dividend pay-out.

Conversely, if a company reduces or eliminates its dividend, the stock price may decline as investors may perceive it as a negative signal about the company's financial health.

Companies that consistently pay dividends signal financial stability and confidence in their future earnings. Dividends can attract investors who seek stable investments and demonstrate that the company has enough profits to share with shareholders.

if you want to qualify to receive an upcoming dividend. Timing is important, and if you understand these dates, you know when to purchase stock and whether you qualify for a dividend.

Dividend Capture Strategy: Some investors employ a strategy called "dividend capture." They buy shares just before the ex-dividend date to receive the dividend and then sell shortly after to capture the dividend income while aiming to minimize any potential loss in the stock price. This strategy can contribute to short-term price fluctuations around the ex-dividend date.

Stock's price does not always reflect the true value of a stock. Buy a stock when it is undervalued and sell it when it is overvalued. in order to distinguish a great company from a lousy one, you must learn some basic accounting and financial concepts, which is the language of business. You must learn how to read a company's financial report.

You should only buy a stock when the bad news that hits the company is only temporary and will not affect its long-term growth and profitability. Lawsuit is the good example of a bad news that hits the company temporarily so but will not affect its long-term growth and profitability. But then of course it depends on what kind of lawsuit .

If the bad news results in causing permanent damage to the company's profits, (e.g. costs of raw materials spiral up, profit margins drop because of intense competition) then it is a poor investment and the stock's value will probably never recover.

They say, *"buying the stock is just a means for you to participate in the company's success or failure*". that's a great attitude but I think we can all agree that most if not all of us invest because we hope to gain something out of our investment. After-all the word invest means you get something in return. If the stock drop below its initial price take your losses.

If you own stocks in a company exposed to political and governmental risks, you need to be aware of these risks. For some companies, a single new regulation or law is enough to send them into bankruptcy. For other companies, a new law can help them increase sales and profits.

Imagin, you own stocks of a coal mining company, with all this green energy agender going the governments can just decides to burn coal mining.

what society wants and what it needs. Society buys what it wants when times are good and holds off when times are bad. Look at the products and services that the sector or industry provides. Do they look like things that society will continue to want? Are there products and services on the horizon that could replace them? What does the foreseeable future look like for the sector?

In finance a year is divided into four quarters, each lasting three months. These quarters are commonly referred to as the first quarter, second quarter, third quarter, and fourth quarter.
your short term investment should be measured like that

Volume, or trading volume, is a term in capital markets, referring to the number of shares or contracts traded in a security or in an entire market during a given period of time. Volume tells you how many shares of that particular stock were traded that day.

Average volume is reported as the average volume over a longer period of time, normally one to three months.

Company prospectors is a legal document that provides potential investors with information that assist them to make an informed investment decision

Retained earnings are profits that are not distributed to shareholders as dividends but are reinvested into the business.

Revenue difference: take for example Pepsi & coca cola, if these two companies have the same annual revenue of 1 million dollars, but Pepsi's stocks is trading at $230 and coca cola stocks is trading at $17.

Earnings calendar for stock market.

I think the secret of rich and successful investors is that when they invest in stocks, they invest a large sum of money that the company needs to solve its current problems. They figure out how much the company needs to grow, and if it's a million dollars, they invest that million dollars.

Did you know Banks benefits from high interest rates, who else benefit from high (or low) interest rates. Real Estate Investors: High interest rates can lead to higher mortgage rates

To trade on the Johannesburg stock exchange (JSE), you will need to open an account with a broker that offers access to the exchange. Individuals cannot trade on the JSE in a personal capacity. You have to go through a registered accredited broker in order to invest.

True or false, in CFD market you can buy a stock that is trading at $87.5569 using a down payment of $ 10 but with a non-dealing desk broker you can only buy a stock that is trading at $ 87.5569 with $ 87.5569

False, you don't have to have $87.5569 for you to buy that stock because if a stock is trading at $87.5569 that means one stock is worth $87.5569 but you can buy 0.025% of that one with roughly $ 10

A company issues 1000 stocks and 9851 of those stock are bought, each of those stocks is worth $13,0912. few days later 8012 of those stocks are sold how much will each stock be worth

If a company's stocks is trading at $209 and move up by 1,09% how much was invested.

If a company issues 100 000 stocks and only 62 000 of those stocks are sold who then owns the rest. When a company issues

stocks, the ownership of the unsold stocks typically remains with the company itself. These unsold stocks are often referred to as "treasury stocks" or "outstanding shares." They are part of the company's authorized shares but have not been purchased by investors

Stocks KPIs

Dividend Yield is the amount of dividends paid out by a company relative to its stock price

Debt-to-Equity Ratio compares a company's total debt to its total equity. A lower debt-to-equity ratio suggests that the company has a lower level of financial risk.

Debt Coverage Ratio: The debt coverage ratio compares a company's operating cash flow to its total debt.

Free cash flow is the cash generated by a company's operations minus its capital expenditures.

Return on Assets (ROA) is a measure of a company's profitability relative to its assets.

Sales Growth is a measure of a company's revenue growth over time.

Number of clients the number of Netflix subscribers affects the price of Netflix. When Netflix subscribers increases, it lead to an increase in revenue and earnings, which can subsequently mean a rise in stock price. Also with banks if the number of their clients increase it can also lead to increase in stock prices.

Cryptocurrencies

Over thousands of cryptocurrencies are out there, and the number is growing. Most of these cryptos may vanish in few years.

Some cryptocurrencies, such as Monero, prioritize privacy, meaning no outsider can find the source, amount, or destination of transactions. However, most other cryptocurrencies, including Bitcoin, don’t operate that way.

some companies create their own private blockchains to be used only among employees and business partners, the majority of the blockchains behind famous cryptocurrencies such as Bitcoin are accessible by the public.

The value of cryptocurrency comes when real suppliers, like retail shops, accept cryptocurrencies as a means of exchange. If not, then we can think of cryptocurrency as just a game where people are bidding on something that only has value as numbers on a screen, but can't be exchanged for something tangible, like a car.

Crypto currency does not have fundamentals only sentiments.

How a new bitcoin gets into circulation / Coin creation occurs through what, Mining

cloud crypto mining

Mining cryptocurrency is like turning your computer into a cashier for cryptocurrency transection.

What happen to bitcoin miners if all bitcoin are mined, how are cryptocurrencies that cannot be mined work, who does the transitioning/mining.

When all bitcoins are mined, miners will no longer receive block rewards for their efforts. At this point, miners will rely solely on transaction fees to incentivize their participation in the network. Transaction fees are fees paid by users to have their transactions included in a block and processed by miners. As the demand for Bitcoin transactions grows, it's expected that transaction fees will become a more significant source of revenue for miners.

Bitcoin and other minable cryptocurrencies rely on miners to maintain their network. By solving math problems and providing consent on the validity of transactions, miners support the blockchain network, which will otherwise collapse.

Not all cryptocurrencies can be mined. Bitcoin and some other famous ones can. Some others, such as Ripple (XRP), avoid mining altogether.

If I put my money in the bank, I know the money is with the bank and the bank can do anything with that money. In crypto where does the money go and where is it stored.

Buying a cryptocurrency is like buying a product the money goes to the seller. Except with cryptocurrency the cryptocurrency is the money itself so if you need to exchange your cryptocurrency you would need a buyer someone who is willing to give you a currency most of us recognise like the Doller or gold.

Additionally when you buy a cryptocurrency, you buy it from someone and when you sell it you sell it to someone, there are institution that are implemented just to provide liquidity to the

cryptocurrency market. their job is to buy the cryptocurrency from you and sell it to someone, be it the next hour, day, weeks or months

Without this institution or liquidity providers selling your cryptocurrency would be hard because you wouldn't know where to begin, someone might say I'd advertise it on social media platforms, well that is not a bad idea.

cryptocurrency exchange also called a digital currency exchange, or DCE for short. It's a web service that can help people exchange their cash into cryptocurrencies and vice versa. Most exchanges are more focused on providing services to help you exchange a cryptocurrency such as Bitcoin into other digital currencies like Ethereum, Litecoin, and so on.

A decentralized cryptocurrency exchange (DEX) is an exchange that doesn't rely on a middleman to hold your funds. It's a marketplace where buyers and sellers come together and process the transactions directly between one another. In other words, DEXs facilitate peer-to-peer trades.

if a cryptocurrency like bitcoin is trading at $ 30 000, do you need that $ 30 000 for you buy bitcoin. No because if a cryptocurrency is trading at $ 30 000 that means one crypto is worth $ 30 000 but you can buy 0.0000841% of that crypto will cost you roughly $179.

There are thousands of cryptocurrencies out each has different characteristics, I think the bright future of cryptocurrencies would be: each community has its own cryptocurrency that it recognise and trust, just like every country has its own currency that it uses. for example to buy a BMW car you will have to use BMW cryptocurrency or BMW will collaborate with Tesla and use one

cryptocurrency that you can you use to buy a car from both these companies.

In my opinion it is the cryptocurrency technology that is the future not these cryptocurrencies that are running around today.

Crypto transaction fees is the cost of sending Bitcoin from one address to another.

the two most important crypto KPIs is Popularity and Positive partnerships or collaborations

Popularity: when individuals want to invest in the cryptocurrency market, they are likely to invest in bitcoin only because they've heard people talk about it. Popularity is important in the crypto market because when a crypto coin is popular more people are likely to invest in it

Positive partnerships or collaborations: New companies accepting cryptocurrency for exchange of goods or services

The reason stocks are easier to scalp is that they are open for 6 to 8 hours a day. During that time, not much can happen compared to currencies, which trade 24 hours a day.

So, which trading session should you focus on? The London (UK) session is a great option because when London opens, the financial market becomes more liquid, and spreads narrow. No other session has lower spreads than London.

So, we'll trade the London session, meaning that as soon as London opens, we place a trade, and when it closes, we also close our position.

The best time to start trading, in terms of spreads, market volatility/liquidity, and clear market direction, is the London session. The reason why the London session has the lowest spreads is that most big trading firms are located in the UK.

Before you start trading the London session, be aware of the New York session, as it often changes the market direction set by the London session.

When the New York and London session opens the market often spikes this is not only because most large trading firm are located in this areas but also because most News events are released in these hours. It’s really hard to tell if it's these sessions that are strong or it's just the news events that course the market to spike.

Big candle wicks are coursed by session. one session direct the market to a certain direction and then when a new session opens it direct the market to an opposite direction sometimes when the

third session opens it also directs the market to the initial direction coursing a doji candle.

Strategies

There is a difference between trading strategy and market analysis. A trading strategy is when you place a trade based on a certain criteria or criteria's. Market analysis is when you use previous data to make forecast.

My Advice is that you open multiple accounts for each strategy. This will allow you to manage your funds more efficiently and to track the effectiveness of each strategy. Don't make the mistake of placing a trade before the market has not formed a wick. Always place a trade after the market has formed a wick.

Avoid placing trades under all market conditions. Only place a trade under one market condition, which is "when the market has formed a wick". Avoid placing trades when the market/candles has not formed a wick.

Another thing that is worth mentioning is that if you fund your account, let's say for example your local currency is the south African Rand. You fund your account by R200 and for some reason you decide not to trade and withdraw your initial amount. Do bear in mind that you might get less or more of what you withdrew from your trading account because of fluctuating currency exchange rates.

You should therefore know when is the best time to fund your account because if you don't you will make money from trading/speculating/investing in the financial market but lose money when you trade/withdraw back your profit.

The losses or profit that result from trading/withdrawing back your money might be small in a way that you won't even mind it, but for those whose local currency is too volatile you might wanna consider this. You should fund your account when your local

currency is weak and withdraw your profits when it's strong so that you make money on both sides.

The perfect way to hedge the market or portfolio is to ask yourself if I buy a stock in this industry which stock will benefit from the bear market of that stock. Look at the correlation between the two stocks on a monthly time frame to do a confirmation that the two stock indeed do benefit from the fall of one another

If you have a stock that you are interested to buy, then you must also buy another stock that benefits from the underperformance of that stock you are interested to buy.

When you are trading the real market, where you can only make money on one side of the market which is the bullish side. Create your own pairs. E.g. when tech companies are bullish, there should be other companies that are bearish be it finance, medicine or mining.

The idea here is to find stocks and commodities that correlate with one another, in a way that when one side is bullish the other is bearish so that you can make money by buying when one industry is on the rise and sell it when it start to fall and then buy in to another industry that benefits from the fall of that industry.

Did you know that you can place a trade without any charge? Yes, a position (trade) with a zero spread. You can take advantage of this because for every pip move you gain a profit. exotic currency Pairs like USD/ZAR have a very high spread

Assets or instruments that are suitable for scalping are those with low spreads during their peak trading times, meaning when the spread fees are very low (ranging from 0.0 to 0.9). One of the reasons scalpers lose money is because they trade the wrong assets or during the wrong trading session. Exotic currency pairs or any other highly volatile assets should be avoided when

scalping because their spreads are very high. The spread is your enemy when scalping

If you have money to dump, put your entire account at risk! For a massive opportunity which you strongly belief in, if you blow-up your account, well that is just part of the game, you deposit another money. when they say “where there is big returns there’s also big losses” they are talking about trading with a high leverage & lot size. Trading with a high leverage & lot size is the forex get rich quick scheme that you probably heard forex influencers talking about

Since trading with high lot size is very risky it’s best you open an account that is specially dedicated to it. You don’t have to open two accounts with different brokers some brokers allow you to open multiple accounts. You can even transfer money between those accounts.

If you check the daily timeframe of volatile stocks, you will notice that most of them open higher or lower than they closed the previous day this is called market gaps. you can take advantage of this by placing two trades (buy&sell) just few minutes before the market close so that when the market opens the following day you open with profits. You can also apply high leverage and lot size for massive but risky returns.

The two problems you ganna face when trading market gaps is that sometimes the market doesn’t open higher or lower than the spread. Depending on the broker you are using, your stop loss or take profit might not be activated because the market opens below or above your stop loss or take profit. You can also adjust your stop loss or take profit while the market is close, but I doubt there’s a broker that allows that, you can only place buy & sell trades during peak hours when the spreads are low and adjust your stop loss or take profit when the market is about to close.

Stocks that are most vulnerable to market gaps are ones that are traded in multiple trading sessions. The advantage of trading market gaps is that you are free from wicks that close out your trade before moving in your favour.

gold/usd is traded only in weekdays but btc/gold is traded all the week it never closes. if btc/gold is bearish during the weekend will gold/usd open with a gap when the market opens

USD,JPY,AUD are currencies that are paired with bitcoin. since BTC remains open during the weekend if one of these currencies was the weakest or strongest during the weekend will it open high or low when paired with the rest.

Some exotic currencies are known to spike at fixed certain times. every time I try to take advantage of this by placing a trade just a few minutes before the time of spike, my trade is stopped out even though the market didn't reach my stop-loss level. I think this could be because as the market spikes, the spread widens above my stop loss. I think it is the spread that stops out my trade, not the market price

It turns out to be true. My trades are stopped out due to spread widening rather than the actual market price hitting my stop-loss level. This is a common issue in exotic currency pairs, especially during scheduled news releases or fixed spike times.

This leaves us with the obvious solution. Just don't place a stop loss. So if I don't place a stop loss, will my trade still lose due to increased spread. for example, if my floating loss is 10 ZAR, will the spread add to my floating loss. apparently, yes, if you don’t place a stop-loss, your trade can still be affected by the spread widening,

Example Scenario: You open a long trade on an exotic pair. Your normal floating loss is -10 ZAR when the spread is stable. Suddenly, the spread widens from 5 pips to 50 pips. The bid price drops, increasing your floating loss. You now see a negative -50 ZAR or more even though the real market price didn't move that much.

Now, can this same scenario apply when I trade market gaps. Yes, the same scenario applies when trading market gaps after the weekend

Risk to reword ratio: If you place a trade and set your stop loss and take-profit at a risk to reword ratio of 1:1, this show a negative position. A positive position has a risk to reword ratio of 1:3 and above, this means your take-profit position is 3 times larger than your stoploss position.

Someone might argue and say "sometimes the entry point might force you to have a risk to reword ratio of 1:1 because you might enter the market early or late reason being that you don't wanna miss the opportunity " true but I recommend that if you are ever in such a situation do not enter the market.

Hedging strategy involves opening another position to a current trade. For example, if you already had a long position, you might choose to open a short position on the same asset, this is known as direct hedge.

Not all brokers allow hedging, If the broker suspects or has reason to believe that Customer has abused the terms and conditions by hedging positions internally (using other trading accounts held with the broker) or externally (using other trading accounts held with other brokers), the broker reserves the right to cancel any trades or profits associated with Customer's account.

If a man with a gun can rob a bank, and with a bank a man can rob a country. The question is what then does a man need to consistently rob the financial market? in my opinion it is a hedging strategy.

Hedging is not about generating profit from one of the two or more hedged trade you opened and closing off the trades that are in losses, it's about generating higher profits from one of the two hedged trades you opened and losing less on the other hedged trade. If the trade that is expected to generate higher returns is in losses the hedged trade is supposed to come in and also generate even higher returns, in that way no matter where the market is headed you generate profits.

As I was trading on demo, I was losing more money than I was making. I would place a trade and take small profits, but before I took those profits, I would have held on to losing trades. I believe most traders have the same problem; they hold on to losing trades or lose more money than they make. What if you had taken the opposite position? Obviously, you would have made more money.

The problem with us as traders is that we put too much faith on to our analysis. Hedging act as an insurance should something go wrong. While hedging reduces potential losses it also reduces potential profits. Another mistake that we make is that when we back test a strategy, we are likely to search for market conditions where our analytic method works or apply our strategy to where it best fits and avoid market conditions where our strategy does not work.

Price action: If you want to buy a stock check the support and resistance of the dollar index if the support and resistance of the dollar index is wider than the stock's that could mean the dollar

could be stronger than the stock signalling that the stock could weaken due to stronger dollar

If DXY is ranging that could mean the dollar is weak this is the best time to buy a stock that shows signs of strength but do bear in mind that DXY is not a perfect measure of the strength of the dollar. Additionally trend is followed by a range if the DXY is weak it is most likely that it will range before it strengthen

If you buy a stock because the dollar is weak you should buy the DXY to hedge because if the dollar is strong the DXY will strengthen

If two stocks are correlated add the dollar index as a hedge. the dollar index, hedge if the two stocks weaken as a result of the dollar being strong therefore if you buy&sell correlated stocks you should also buy DXY

DXY should be used together with a currency strength Meter indicator this will maximize the accuracy of the DXY since the currency strength Meter measures the strength of the dollar against more basket of currencies

DXY measures the US dollar strength against a basket of currencies is it possible for the DXY to be bullish as a result of investors aggressively buying the DXY while the dollar is weak against all currencies that make up the DXY.

No, it's not possible for the DXY to be bullish if the US dollar is weak against all the currencies that make up the DXY. The DXY, or US Dollar Index, measures the value of the US dollar relative to a basket of six major currencies: the euro, Japanese yen, British pound, Canadian dollar, Swedish krona, and Swiss franc.

If the dollar is weak against all these currencies, the index would reflect this weakness and decline. For the DXY to be bullish, the dollar must be strong against at least some of these currencies. Investors aggressively buying the DXY would mean they expect the dollar to strengthen, but if the dollar remains weak across the board, the index cannot rise

When a stock is priced in different currencies, the stock might be bullish when price in another currency but weak when priced in another currency this is because the stock takes advantage of a week currency that's how you know that currency strength has an impact on the stock

Here's what I think, since DXY measures the strength of the dollar and gold is priced in USD. I think a 0.6% drop of the DXY will strengthen gold by 0.1%. In your own view what will strengthen gold as a result of a weakening DXY.

Correlation looks at the price difference history between financial instruments . Let’s say for example gold and silver are known to have a maximum price difference of 2,5% meaning if the market reaches that 2,5% difference a correction has to take place

The correlation hedging strategy is when you find two assets that are correlated, these assets have to be closely correlated like Coca-Cola & Pepsi and silver & gold, these assets have to follow a similar pattern in a way that when one spikes the other one follows.

what you do in this strategy is to place a sell position on one asset and a buy position on the other asset that is closely correlated with. since the two assets are closely correlated, they are most likely to move in the same direction. So if a stop loss is hit on one position the other one will continue.

Sell the one that shows signs of weakness and buy the one that shows signs of strength If the one that shows signs of strength is approaching near its support or resistance that might mean it is about to fall and join its correlated asset therefore sell it and buy the one that shows signs of weakness.

This brings us to the topic of correlation correction. There are only two ways in which correlation correction takes place each with different characteristics. it is off no use to cover these characteristics since they are useless when trading, the market is so random you will never know how the correlation correction will take place even if you know all the correlation correction characteristics

With indices the index that holds the most stocks has to be the one that is bought and the one with low/few stocks has to be sold. Let's take for example the US tec 100 and US SPX 500 since the US SPX 500 has the US tec 100 stocks included in it and 400

more stocks, it is most likely to always be stronger than the US tec 100. If the US tec 100 is bullish it will push the US SPX 500 to bull market and together with 400 more stocks the US SPX 500 is most likely to always surpass the US tec 100, therefore you should always buy the US SPX 500 and sell the US tec 100

Some instruments might not seem to be correlated on a daily time frame but if you switch to a weekly or higher time frame you will see that they are correlated.

Use a correlation indicator to look for correlation between assets rather than looking at the charts. The correlation indicator is only used to confirm and measure correlation not to place a trades based on what the correlation indicator indicates.

The moving averages indicator can also be used to measure correlation. All you have to do is to insert the moving averages indicator with the same settings on the correlated assets then compare the similarities between the assets.

Since financial instruments will not always move in the same direction or similar pattern, an inverse between these instruments can cost you your entire account, it's best you apply low lot size and low leverage this helps combat larger losses from a losing inverse between the assets. The disadvantage of this is low profits, this is where diversification comes in.

when you are trading correlated stocks, and one company releases a new product and the other one does not, don't use this strategy. Only use this strategy when the market is quite.

What happens when a company which its stock is correlated with another company's stock releases earnings report and the other one does not. If the report shows good results, then we assume

that the correlated stocks/company's upcoming earnings report will also be positive since they are correlated.

Finding paired correlated financial instruments is much easier than instruments that are not paired. For example silver and gold are correlated so if you can pair silver and gold with EUR, AUD, NZD or GBP you will still find the same results but with a slight difference.

Another example, CAD and USD are correlated. so if AUD/CAD is correlated with AUD/USD that means NZD/CAD and NZD/USD are also correlated. financial instruments like stocks and indices are hard to find instruments that correlate with them.

Inverse correlation/negative correlation : Is when two securities move in the opposite direction or simply assets that are not correlated at all.

The best inverse correlation is a swap between pairs e.g. gold/AUD and AUD/gold. You probably won't find a broker that offers two pairs like those, I mansion this just to enlighten you. The only swap you ganna get is USD/JPY and EUR/USD those pairs are inversely corelated. Obviously, USD/JPY and EUR/USD are not the only pairs that are swapped like that there's more.

Hourly and daily time frames are volatile anything can happen in those times therefore you should measure corelation on a higher time frame like the weekly and monthly time frame

Finding stocks or commodities that are inversely correlated is difficult because if the global economy is bullish all the branches of the financial market will be bullish as well.

Asset/instrument that I know so far that are correlated are the following: stocks Visa & Master card, coca cola & Pepsi, Facebook & Meta. Energy commodities crude oil & brent crude oil. Metal commodities gold & silver. Indices wall street top 30, US tec 100 & US spx 500. Currencies EUR & GBP, CAD & USD, AUD & NZD.

The drawback of correlation strategy is that financial instrument or assets will not always move in the usual directions that they mostly move in. I tried to hedge by placing more trades on correlated assets to mitigate the risk that comes under that market condition but the more trades I place to hedge, the more money I put on to risk that always leads me to just place opposite trades on correlated assets since I'm risking less.

Triangular arbitrage consideration (tec) is the process of trading out the U.S. dollar into a second currency, then trading it for a third currency, which is in turn traded for U.S. dollars. The purpose is to earn an arbitrage profit via trading from the second to the third currency when the direct exchange rate between the two is not in alignment with the cross-exchange rate

According to my research triangular arbitrage opportunities are very rare because there are super computers out there that are implemented just to solve triangular arbitrage. But in this strategy, we are going to do something different, we are going to use triangular arbitrage to determine the length probability and the direction of a candle stick.

Let's say for example you decide to buy the USD against the Australian Doller; by considering triangular arbitrage you will be able to see if your position is more feasible or not because all currencies must align with each other.

Take for example AUD/NZD if you sell the Australian Doller against the New Zealand Doller, your position must align with the USD/CAD because if we have 1000 NZD and use that NZD to buy the AUD and use the AUD to buy the CAD and then again use the CAD to buy the NZD, all this process has to align. because if not we are going to have big giant of triangular arbitrage.

To calculate triangular arbitrage you need three currency pairs e.g. AUD/USD, EUR/AUD and EUR/USD. If you wish to place a trade in any of those pairs you must also have a position in the remaining pairs, then calculate triangular arbitrage to see the feasibility of your trade.

Triangular arbitrage is made up of three pairs, you only need the price of two pairs to determine the price of the remaining pair. For

example, GBP/ZAR is trading at 23,65840, GBP/USD at 1,30909 and USD/ZAR at 18,07971. what will be the exchange rate of USD/ZAR if GBP/ZAR where to reach 23,26037 and GBP/USD where to reach 1,35909

The USD is strong against the EUR but weak against the NZD is it possible for the EUR to be strong against the NZD. absolutely not

The USD is weak against the NZD and with EUR, what does this mean for the EUR/NZD. EUR/NZD's price action will be very volatile or low

The USD is strong against the EUR but with short candle. The USD is strong against the AUD with very tall candle. What does this mean for the EUR/AUD. Obviously the EUR will overpower the AUD. The hight of a candle tells you how strong that certain currency is.

If you see or expect a doji candle or just a short candle that means both the currencies are equally strong or weak. Basically doji candle means it's a draw. Therefore if EUR/USD has a doji candle, and AUD is strong against EUR then that means without a doubt AUD will also be strong against USD

There are many types of Triangular alignment/arbitrage there's one between cryptocurrencies, metal commodities & foreign currencies like bitcoin/gold, gold/USD and bitcoin/USD. There's also one's between cryptocurrencies like bitcoin/ Ethereum, bitcoin/Litecoin and Ethereum/Litecoin. Each broker offers different pairs.

Triangular arbitrage consideration hedging strategy:
If you think the USD is going to be strong against EUR but weak against NZD obviously EUR will be weak against NZD. place a

buy order on USD/EUR and a sell order on NZD/EUR and sell order on USD/NZD. If you set-up or hedge the triangular pairs in this way, on a good trade/scenario you will have two winning trades on a bad trade/scenario you will have one winning trade with double the profits that might even be slightly higher than the two losing trades combined. (this will all be thanks to the non-alignment of the three pairs)

alternatively you can place 2 trades on all three pairs. this reduce losses that comes when you have 1 winning pair and two losing pairs. Since you are placing two trades on each pair place two stop losses at different prices. If you have two losing trades that hit the first stop losses you will have one winning pair with two winning trades and two losing pairs, each with one losing trade.

The tec hedge has one pair that is moving faster than the other two pairs. The profit or losses that result from that one Pair are a division of the two pairs, this means if you make R40 on that pair you will also lose R40 on those two pairs combined. The pair that is moving faster than the other two pairs I call it the master pair and the other two pairs are division pairs.

If you're win to lose ratio is 1:2 that means, you are aiming to make R60 on the division pairs. The master pair should have the potential to reach up to R120. However this is not entirely how the market works, there are other scenarios that can make the possibilities of you getting all the division pairs right without the need of the master pair reaching R120

The problem with the tec hedge is that you are not going to profit until one pair is stopped out, and by that time when one pair is stopped out, the pairs/pair that is supposed to be profitable might already be at its resistance levels, at this stage the pair is most likely to not move any further or even wares turn off against you

The following are all the triangular alignment. The symbol *star represents double impact.

USD/CAD *(strong)* USD/JPY *(weak)* CAD/JPY *(weaker*)*
USD/CAD *(weak)* USD/JPY *(weaker*)* CAD/JPY *(weak)*
USD/CAD *(strong*er*) USD/JPY *(strong)* CAD/JPY *(weak)*

USD/CAD *(strong)* USD/JPY *(stronger*)* CAD/JPY *(strong)*
USD/CAD *(weaker*) USD/JPY *(weak)* CAD/JPY *(strong)*
USD/CAD *(weak)* USD/JPY *(strong)* CAD/JPY *(stronger*)*

If you study all the triangular alignment, you will notice that if you buy the USD against the CAD and sell the USD against JPY you will be in profits on the first three triangular alignment and less loss on the last two triangular alignment.

Also notice that the last/sixth triangular alignment which is the one that you will lose money if you buy the USD against the CAD and sell the USD against JPY has correlation between USD/JPY and CAD/JPY. This means if you analyse the correlation between USD/JPY & CAD/JPY and they don't seem to be correlated you can buy the USD against the CAD and sell the USD against JPY.

Another way to cut corners when hedging triangular pairs: Place trades on the division pairs, you will either get one division pair right or all. The only way you can lose all division pairs, is if the master pair change direction and remain the master pair. If you look at the triangular alignment, you will see that there's only one possibility of that phenomenon.

Depending on how you go about identifying division pairs. If you look at the daily percentages movement, you will notice that one if not all of the division pairs are currently losing but do reflect that they are division pairs. This happens when the division pairs move to a certain percentage but then ease down before they move and fully reflect that they are division pairs on the daily time frame

Basically division pairs on daily time frame are not always division pairs on hourly time frame. So if you identify division pairs on daily time frame, make sure that those division pairs are also division pairs on hourly time frame. Because if you don't you be surprised to place a trade on division pairs but end up losing all your trades because daily division pairs are not reflecting on hourly division pairs

Those are not the only ways to cut corners when hedging triangular pairs, study all the triangular alignment you will see more ways of cutting corners to hedge triangular pairs.

Triangular pairs have one pair that is moving at a faster speed, the master pair as I call it. If it has a short wick, then the other pairs will not have wicks. If it has a lengthy wick the other pairs will have a short wick.

Before you use this strategy study the correlation between the three assets first and avoid placing trades on candles that have not formed wicks. There should be at least two candles/assets that have formed wicks.

Chained/connected triangular alignment: if you have triangular pairs of EUR/USD, GBP/USD, EUR/GBP you can create new chained triangular pairs by using one of the pairs from that triangular pairs. Take for example EUR/GBP you can use this pair to create new triangular pair and connect it with the pairs you initially created for example EUR/USD, GBP/USD, (EUR/GBP) EUR/CAD, GBP/CAD. Additionally in this instance you can also use USD/CAD to chain the triangular alignment

Chaining triangular alignment is not only to hedge but also to get a Broder picture of the market.

Now to perfectly hedge the chained tec (I say perfectly because by hedging this way this strategy by calculation is 100% profitable)

Hedge the first 3 pairs and hedge the second pairs in an opposite way. Let's take for example EUR/USD, GBP/USD, EUR/GBP, GBP/CAD, EUR/CAD. In this instance the EUR/GBP is the connecting pair. If you hedge the first 3 pairs, which are EUR/USD, GBP/USD, EUR/GBP, and hedge the second 3 pairs in an opposite way which are EUR/GBP, GBP/CAD, EUR/CAD. The EUR/GBP pair which is the connecting pair will look like you have to place both buy and sell trade, but you don't just place one trade

Let me explain this in a practical way EUR/USD (buy), GBP/USD (sell), EUR/GBP (sell). these are the first 3 pairs the second which are EUR/GBP, GBP/CAD, EUR/CAD are going to be hedge differently, in this case since the EUR/GBP is the connecting pair we are going to hedge the second 3 pairs like we bought EUR/GBP, so GBP/CAD, EUR/CAD is going to be GBP/CAD, (buy) EUR/CAD (sell)

You obviously won't understand chaining triangular alignment by simply reading what I've explained. chaining triangular alignment is way too complicated you have to fully understand how triangular arbitrage work. all I can assure you of is that this strategy is a 100% winning strategy if you apply a risk to reward ratio of 1:2

When using the chained tec your main focus should be wicks not how many winning pairs you get because by calculation the chained tec strategy is a 100% winning strategy but that is if you put your targets at the right areas

Thirdly fundamental, as much as I'm most likely to not pay attention to news events, fundamentals make the market unstable. You need a stable market for this strategy so that your stop losses are not spiked out, although the opposite of that can be your advantage it's always best to trade risk free

The biggest enemy of traders are wicks/stop loss, the remedy to this problem is direct hedging. Direct hedging allows us to place a stop loss at a higher level without a tremendous loss. If you want to buy and place a stop loss at a higher level like R60. Place a sell position with a take profits of 40 and the stop loss at the same level as your initial buy position’s take profit. One might ask what will be the profit from that, the answer is nan. What you are doing here is something different, you only gain if the market the hit take profit of the sell position and reverse back to your initial buy trade.

Strategy review: tec & corelation

If you use these hedging strategies (tec and corelation) long enough you might start to think in terms of removing the hedge and just place trades after the hedge setup has stopped out losing trades. The idea sounds like a good idea, I mean why not remove the hedge or what we might call the middleman in this instance.

You can place your trades after stop loss targets, however knowing just how unpredictable the market is. The market might stop you out before turning in your favour.

This leaves us with the obvious answer which is why not place a stop loss where you could have initially placed at the beginning of your hedge setup. That’s because you will be risking more and also you will have to monitor the market for a perfect position.

Pending orders might work in this instance, but pending orders have disadvantage of high spreads especially if the pending order is activated by a spike. Price alert might also work in this instance however you might receive the alert at the wrong time.

Don’t get me wrong, removing the hedge can sometimes be a great idea, especially when you using the chained tec strategy. Rather than monitoring the market and placing pending orders for a perfect entry point you can look at the previous candles and place trades like you would have hedge when the market starts.

Placing trades after stop loss target is a great idea but don't forget that the reason we hedge is because we don't know or rather care where the market is going all we care about is making money regardless of where the market is going

The problem with hedging is that you could be risking more for less than you would when you are not hedging. The problem with not hedging is that the chances of winning are low as compared to when you are hedging where your chances of winning are a bit higher. it is not only about how much you are risking to make money but also about the chances of making that money

Hedging reduce potential profits but the whole idea of hedging is to minimize losses. There is no such thing as " I'm sure the market will move in my expectation" that's why we hedge.

If you think placing trades after the market has stopped out losing trades is a good idea, then these strategies should be your go to.

You can scalp trading sessions, at 07:00 Landon (UK) time/session we know that the market is going to start forming long candles. Chain triangular pairs for a broader market view. Place trades on the master pairs. Your trades should be closed before 13:00 Landon (UK) time because the New York session opens at 13:00 Landon (UK) time. Wait for a new opportunity as the New York session might change the direction of the market. always keep in mind that the money is always going somewhere. If the pair, you want to trade is not moving that's not where the money is.

Use pending orders to setup a tech hedge. if you are lucky only the winning trades will be activated if not then all trades on the three pairs will be activated and you will remain hedge but as I have explained the disadvantage of pending orders is that they may be activated out of Landon (UK) trading session, and you will pay lots of money on spreads especially if you're order is activated by a spike.

The solution to this problem could be direct hedging. Stop loss will activate winning pairs. Do not place a take profit. direct

hedging might be a solution but can also cost you even bigger losses. Another solution could be to open an account with fixed spreads, but the spreads will still be higher as compared to an account with floating spreads.

If you are going to place pending orders, place them on pairs that have low spreads even outside London session. These are pairs/currencies that have low spreads even outside London session. EUR,USD,GBP and JPY.

The problem with my strategies is that they generate less profit than what they require to setup. A positive strategy has to require less to make a minimum of 5 time than the risk. You might think the problem with me is that I apply a low risk to reword ratio. If you apply a risk to reword ratio of anything more than 1:2 you will definitely come to the conclusion of removing the hedge because at this stage, the hedge won't make any sense anymore.

I've studied the financial market for 5 years and all these years I've been trying to find or formulate a strategy that is 100% accurate. When I first started, I was focused on finding an indicator that is 100% accurate but I didn't find any. That led me to giving up on indicators and try fundamentals also again I didn't find any that also led me to formulating a hedging strategy that is 100% accurate, well I found one that works but it has some weakness which makes it not 100% accurate

All these experiences led me to developing an attitude of not caring where the market is ganna go and that attitude has led me to treating the financial market like a gambling game.

The only strategy that works when gambling is one that promises high return for small risk. Now you can probably see where this is going, I don't know where the market is ganna go or really care

for that matter all I want is just to make more money for the little risk I take. Now what do I do, I just look for an excuse to buy or sell and go on with it. The question is what then is that excuse. I go back to exactly what I hated in the first start of my trading career, which is placing trades that are backup by indicators, charts patterns and news events.

I have realised that the only strategy that works in this industry is one that generates 5 times than the risk

Fundamentals based strategy

Before I start, I want to remind you of something, this book is for advanced traders, I'm not going to explain everything like I'm explaining to a 10 year old.

You will often watch traders on social media making lots of money in minutes using news events. what these guys do is simply wait for a high impact news events to be released and place a trade the minute the market spikes. This is a great strategy but I kind of not like it because it seems like gambling, but it generates high profit.

When I first started learning fundamental analysis I thought only highly educated economist, certified chartered financial analyst and accountants can trade fundamental news/reports, it turns out that you don't. All you have to do as a trader is just to wait and see where these big trading firms are taking the financial market to after the release of that new data and follow them.

All financial news providers have analyst who make forecast of the upcoming report. The minute this new report is released, and it is higher than what the analysts has expected or forecasted, look for financial instruments that are already reflecting this new data and place your trades. Obviously, it is not always ganna be as easy as that sometimes the market will spike sideways before it can head in the directed destination

When a positive high impact news/report is released it often strengthen the currency, but the currency will not always be bullish against all currencies. So the problem here is that even though the new news will strengthen the currency you won't know which currency will that currency be strong against so the solution here is a currency strength meta.

Since currency strength Mita shows the strength of a currency against basket of currencies it will show you which currency is that currency strong against when the news/report is released.

The drawback of this strategy could be that "it takes months for high impact news/report to be released. It doesn't make sense to wait for months only to take advantage of this opportunity" this is if you're are only focusing on one currency if you trade all currencies you have more than enough news events to trade.

One might argue and say I can't focus on all currencies that's a lot to handle, because I will have to go through these reports and analyse them, as I've already explained you don't, the minute the market starts to spike you just place a trade in which the market is spiking to

With stocks if a high impact news like PMI a news event that affect stocks in certain industry. All that you have to do is to buy the stocks that are already reflecting to the recent data

Sometimes the news events might not impact the market right away this could be because the report was released outside London and New York session but when one of these sessions opens the market will starts to reflect the news event.

A spike is often coursed by a major news event. After a spike that was coursed by a major news event, we can expect the market to remain in that direction because this shows that, that major news events made a clear market view to investors. The market is influenced by the economy if high impact report is released the market will spike and because it is high impact report the market should remain in that direction for a long time.

If the market spikes but then return back to its initial position this could be because the spike was a result of no major news event

or there was a major news event that coursed the market to spike, but then new report was released which coursed the market to spike back to its initial position.

another reason it could be that a major news event was released and coursed the market to spike but then spike again to its initial position by a spike backed up by no major news event. remember it's the Participants that moves the market so if this happens the market will just return back to its initial spiked position

if you try to trade this way keep in mind that it's not only major news event that are posted on the platform of financial news providers that can course a spike sometimes unexpected announcement can course a spike. Also keep in mind that most average investors jump in too late, after all the professional fund managers have already entered and when the stock price has nearly peaked. Inevitably, they find that stock prices start falling soon after.

Do your own research look at what happens after a spike. If the market spikes as results of major news event it is most likely to hold that position for a long time unless another major news event is released and change everything. If the market spikes at the back of no major news event or no upcoming news events it is likely to reverse back. Remember if the market spikes before upcoming major news event it can indicate that someone placed an insider trade, so you follow this position.

The most important thing to always keep in mind is filter for the right economic new events for the right market. for example if you are trading currencies filter for economic news events that will directly impact the currency market.

this strategy is more of market analysis than a trading strategy which is based on set of criterias. This is because this strategy requires you to analyse the strength of assets before you place a trade. Now what is the difference between Currency Strength Meter and Advanced correlation and how are they similar

My first understanding of correlation was two assets that move in a similar pattern. then I discovered Currency Strength Meter which is basically pairing one currency with multiple currencies to measure the strength of that currency. As I gained an expert level knowledge of Currency Strength Meter. I realised that Currency Strength Meter is just correlation on a broader perspective, because when you pair one currency with at least 7 currencies those pairs are going to move in a similar pattern. This can also be referred to as correlation

advanced correlation is when you find at least 6 assets that are correlated these assets they don't have to be closely correlated, they just have to have a correlation of 70% and above. Advanced correlation is for stocks, indices and commodities. Currency Strength Meter is for currencies and cryptocurrencies

How to go about this strategy

buy the one that is bullish and moving faster and sell the slower one. But if all of them are moving at the same fast pace, just place a trade on the one that is moving faster. Insert the moving averages indicator on all of them. moving averages indicator the simplest indicator to measure correlation.

When there's a big news event taking place just buy the pair that is bullish than the rest and sell the one that is bearish than the

rest. The most important thing when you are choosing the assets to trade is risk to reward ratio

if you try to place a trade after a big news event you will notice that most of the time the market spikes to resistance and support levels and at these zone you have run out of the opportunity. This is where Currency Strength Meter & Advanced correlation stapes in.

With this strategy you don't have to worry about entering the market too late just buy the most bullish and sell the most bearish. Place your trades few minutes prior to the release so that you don't have to widen your stop. When the news event is released and the market spikes, if the report is positive the bullish asset is likely to spikes higher than the rest. If the report is negative the bearish asset is also likely to spike higher than the rest. Obviously since you are placing two trades one trade will be stopped out while the other trade is profitable. Do Bear in mind that sometimes the market may spike sideways which will result in loss of both trades

Diversification & short term trades

Diversification means investing your money in multiple assets.

Day trading or scalping is very stressful and, in my opinion, not a sustainable way to make a living from trading the financial markets.

If you look at monthly candlesticks, you'll notice that many have very small open wicks. This works to your advantage because it means you are less likely to be affected by wicks that cause doubts. So, when a new monthly candlestick begins, you can place a trade knowing you are less likely to be influenced by wicks. You should avoid placing trades on charts with monthly candlesticks that have very long bottom and top wicks.

As a beginner in the market, it's easy to think you can make a living from daily trading or scalping. While it's possible, it is very hard and stressful. Consistency is key. It's not just about the ability to scalp or speculate; it's about consistently beating the market, even under stress.

When you hedge, you are automatically diversifying, and when you diversify, you are unconsciously hedging.

Trading the financial market for a living can be like trying to make a living from gambling! While trading itself isn't gambling academically, certain strategies, like scalping and day trading, can have gambling-like characteristics.

Save yourself from the hassle and invest for the long term. Yes, it might be frustrating to wait a month to make a profit of just $10

from one trade, but if you want to make money today and lose it tomorrow, good luck.

Owning several stocks in the same industry is a bad idea. If a problem hits that industry, you may face significant losses.

Losing a lot of money quickly can trigger stressful emotions similar to those associated with gambling. By putting your money into multiple assets, and focusing on long-term trades and diversification, you can handle your losses and gains with less stress.

When you lose money, you need to recover from those losses. Time heals, which is why long-term trades are less stressful. In a month-long trade, you have time to accept what you've gained and what you've lost.

Long-term trades require more funds compared to day trading. It's said you should only trade or invest what you can afford to lose. For many of us, the amount we can afford to lose isn't enough for proper diversification or short/long-term trading, unless your broker offers nano lots. This might force you into scalping.

I want to clarify something about the idea that "*long-term trades and diversification help you digest your losses and wins without stress*." Most, if not all, advanced traders will disagree with this because, as you become more experienced, you will likely learn to handle losses that come in a short period of time more easily. Therefore, this recommendation is meant for beginners who still need to experience losses, understand how it feels to lose, and accept the randomness of the market.

The cryptocurrency market or technology is still in its early stages. Nobody really knows if society will fully understand or accept cryptocurrency, or we will return to using gold as currency, or if we will continue using paper money.

One thing we can be certain of is that if cryptocurrency becomes widely accepted, your grandchildren might look at you and say, “You must have been dumm for not investing in cryptocurrency. How could you believe that paper money, which was printed in huge amounts, could be worth anything?”

With ongoing advancements in technology, hacking into a system can either be easy or very hard, if not impossible. In the future, if hacking cryptocurrency or blockchain systems becomes simple, the technology could be in trouble. If that happens, your grandchildren might say, “You must have been dumm to think that numbers on a screen were worth something. Why didn’t you invest in gold?”

Precious metals like gold and silver derive their value from their rarity, making them suitable for use as currency. However, if large amounts of these metals are discovered, their value could drop.

This brings us to the final question: what should you invest in? Well, you won’t know what the future holds. The best way—and what I consider to be the only way—to invest is to diversify.

Invest in all types of precious metals, cryptocurrency, and paper money (indices). Regarding cryptocurrency, I don’t think the world might fully adapt to using it because the banking system’s advantage is its ability to give out loans—money that the bank

doesn’t even have. Unless we find a way to offer unlimited loans using cryptocurrency, it will remain just another payment system.

Some might suggest investing your cryptocurrency in a fund management company or a crypto bank so that a fund manager can reinvest it. This could work for small loans but think about those billion-dollar projects.

Brokerage firms

The brokerage side of the trading industry is the most important part of the business because you can be an expert in the financial market but still earn nothing if your broker refuses to pay you

Types of brokers
Dealing desk broker, they trade against you, the money you make comes directly from their pockets.
non-dealing desk brokers, your position goes directly to the inter-banking system

List of some licenses and regulatory requirements that a brokerage company must hold in order to offer trading platforms in south Africa

Over-The-Counter Derivative Product (ODP) license

Johannesburg Stock Exchange (JSE) Membership: If the brokerage intends to offer trading on the JSE or other local exchanges, it may need to become a member of the exchange

Information Security and Data Protection Compliance: Brokerage firms need to adhere to data protection and information security standards to safeguard client information and transactions

The question that have to be answered when you are choosing a broker.

Is the company registered and regulated
How good is customer service?
Are they quick to refund your deposit into your account?
Does their app crash or have bugs?

If you prefer Meta Trader, before you place any trade, pay attention to the spread you see on Meta Trader and on the broker's trading app. Sometimes there is a difference. Make sure your apps are always up to date and check the time as well. The app sometimes has a delay when updating new charts and data.

Just choosing a well-regulated broker is not enough. You need to do some research on the company's history.

What is the management team like? A faceless brokerage company is a big red flag because anyone can build a website. You need to know the CEO, the founder, and other team members of the brokerage company you choose because if the company refuses to give you your money, who will you hold accountable?

How long has it been around?
Does it have an office locally?
Read what other customers have to say about the broker. You need to apply some caution here; Reviews tend to be a bit skewed towards unhappy customers. For example, imagine you read reviews on a mobile phone company: No one bothers to fill out a review on product when stuff works. They only fill it out when there is a service issue, and they are annoyed with the customer service.

Questions that have to be answered with regard to Account opening.

Does the broker support your local currency on their trading platform? If the broker doesn't support your local currency, it often means they don't have an account in your region, which could also mean they are not registered in your region.

How fast and easy is it to withdraw cash from your account?

Did you know that if your broker fails to transfer your profit to your account, they should at least give you back your initial deposit?

Before you open an account with any broker, check their reviews. Remember that review websites are for reviews only, not for checking whether a broker is registered. The reviewers on those websites do not provide authorization, and there are some fake positive reviews out there.

If a brokerage company is registered to offer currency trading, does that mean they are automatically authorized to offer trading in metals, energy, indices, stocks, and crypto as well?

The fact that a brokerage company is registered to offer currency trading does not automatically authorize them to offer other types of trading instruments such as metals, energy, indices, stocks, or cryptocurrencies. Each financial instrument may have its own set of regulatory requirements and considerations.

if you are trading CFDs (contract for difference) the company just have to be authorised and regulated to offer CFD trading

The Foreign Exchange Market does not have a centralized regulator. In other words, there is no single international authority or organization that controls the activities of all participants in the Forex market. Such a regulator does not exist because the transactions within the foreign exchange market are based on the independence of individual operators and their interdependence on other operators with whom they do business.

Where a regulator has issued the broker a license in a particular territory or country (i.e., local regulator), the regulator's authority is limited to only traders and investors who are residents of that

particular jurisdiction. For example, if a broker was licensed by the FCA (UK), the regulator controls the broker's work only for citizens of the United Kingdom. Traders and investors from other countries cannot rely on being protected by this regulator.

Working with a dealing desk broker is risky because the money you make comes directly from their pockets. This means they might be more likely to refuse to pay you, so you should choose a broker with lots of clients (money). You can't just rely on what they say on their website about the number of clients they have. Instead, check their impact on the internet and social media. If they have a million followers, views, subscribers, and positive reviews, it's a good sign that they have a lot of customers (money).

You often hear people claim that because the forex market is so large, it is relatively easy for forex traders to jump in and ride the trends in this gigantic market, the world's largest market. However, most forex traders trade what is called the retail forex market; this is a different market to the "real" forex market in which $4 trillion is exchanged each day.

In essence, there are two markets in forex. There is the interbank market, where banks, hedge funds, governments, and corporations exchange currencies, and there is the retail market. Most forex traders trade in the retail forex market, an entirely different market to the "real" interbank market. In the retail forex market, your competition is the other forex traders trading the retail forex market, and believe it or not, your broker. When you make money trading forex, these other traders in the retail market lose, and so does your broker.

Most retail forex traders do not make money. In fact, your forex broker will assume that you are going to lose money in the long

run. This is a perfectly reasonable assumption, since the large majority of forex traders lose money.

Since most forex traders are losing traders, your forex broker assumes that you will not make money when you open up an account. Only after you have consistently made money trading forex will your broker become concerned with your trading. Guess what happens to all of those losing trades? Those losing trades fatten your broker's pocket.

All losing trades are “business profits” for your broker. This is because your broker takes the other side of your forex trade. Although it is true that some retail forex brokers match up trade orders so that a trader with a buy trade order is paired up with a trader with a sell trade. However, the overwhelming majority of retail forex brokers do not do this. Unless you are a consistently winning trader, your broker will take the risk on your trades, and assume that your trades will lose money in the long run. This is not something that is widely discussed, but it is true. Your forex broker wants you to lose because your losses are your broker's profits

Your broker can send you fake spikes to hit the stop loss limits and send you off quotes errors when you are trying to close the position in profit.

During peak trading hours, spreads can drop to zero, a fact most traders using a dealing desk may not be aware of. During off-peak hours, spreads can be considerably higher.

Your broker is your boss! Your broker will always make more money than you do!

One thing that every guru or influencer won’t mention is the daily withdrawal limit. A daily withdrawal limit is the maximum amount you are allowed to withdraw each day, similar to many banks.

Some gurus claim to have made millions of Rands in a month trading with a specific broker. The funny thing is that you might find out that this broker has a daily withdrawal limit of R10,000. Even if you withdraw R10,000 every day, you still won't make a million Rands in a month. Additionally, if you look at the broker’s annual earnings, you might be surprised to find out they earn R2.9 million annually. You can never be richer than your broker unless you have multiple sources of income.

Also, depending on the broker you use, it might be impossible to withdraw money every day. Some brokers may require up to 7 business days to transfer money into your account, excluding weekends, which makes it difficult to withdraw funds on weekends.

Furthermore, your bank might also take up to 3 business days to reflect the money in your account. All these delays can affect the idea of having money constantly flowing into your account. Remember, having large amounts of money flowing into your account every day can raise concerns with your bank, potentially leading to your account being frozen.

A broker may allow unlimited account deposits but have limited withdrawals. What does that tell you about brokerage firms?

You should have a separate bank account dedicated to trading because you need to treat trading as a formal business. Also, if you open an account with a broker that isn’t legitimate, your confidentiality could be at risk.

Trading is often advertised as a get-rich-quick scheme because CFD brokerage firms make more money when 95% of beginner traders lose money. Their business depends on finding new people to lose money trading. While it's true that brokerage firms earn from commissions, I believe this is only about 15% of their income.

Someone once asked on social media why traders don’t just trade alone and leave others out of it. The reason is that CFD brokers need losing traders to stay in business; after all, the money has to come from somewhere.

We are often told not to believe everything we see online. Did you know that with the inspect tool or developer tool, you can edit your trading account balance to show an unlimited amount? Similarly, the physical cash that influencers show off on social media can be fake. Music videos and movies often use fake cash, and you can rent or buy $1 million in fake cash for as low as $300.

Insanity is doing the same thing over and over again and expecting a different outcome each time.

When you keep repeating the same actions, hoping for a different result, you're likely to become discouraged and feel like giving up is the only option. However, before you throw in the towel, remember this: "Repetition is not just a path to failure; it's also the foundation of experience, and through experience, there lies perfection."

As a trader, you will definitely find yourself caught in this insanity loop. You might develop many ineffective trading strategies and think it's impossible to make a living from trading, or you might use a strategy that generates profits only to have those profits taken away. This insanity loop is what ultimately makes you a better trader. Many believe that a 100% accurate trading strategy does not exist because the market is unpredictable and operates on a 50/50 system where certainty is not guaranteed. However, I strongly believe that if you stay in this insanity loop long enough, you may eventually find something valuable.

Reference…

The original work in this book comes from many sources. Unfortunately, I have not kept records of all the original work. I give credit to the authors whose work I have included in this book.

This book covers advanced topics in commodities, currencies, indices, stocks, and cryptocurrencies CFD trading

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